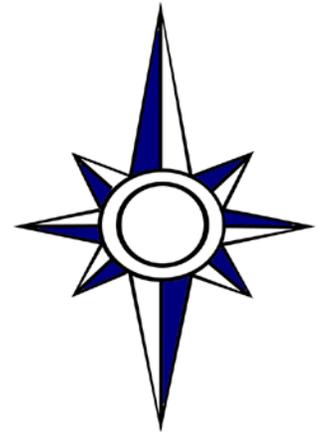




Pacific Forum CSIS



Comparative Connections



A Triannual **E-Journal** on
East Asian Bilateral Relations

edited by

Carl Baker
Brad Glosserman

May – August 2015
Vol. 17, No.2
September 2015

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Pacific Forum CSIS

Based in Honolulu, Hawaii, the Pacific Forum CSIS operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, D.C. Founded in 1975, the thrust of the Forum's work is to help develop cooperative policies in the Asia-Pacific region through debate and analyses undertaken with the region's leaders in the academic, government, and corporate arenas. The Forum's programs encompass current and emerging political, security, economic/business, and oceans policy issues. It collaborates with a network of more than 30 research institutes around the Pacific Rim, drawing on Asian perspectives and disseminating its projects' findings and recommendations to opinion leaders, governments, and publics throughout the region.

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Bilateral relationships in East Asia have long been important to regional peace and stability, but in the post-Cold War environment, these relationships have taken on a new strategic rationale as countries pursue multiple ties, beyond those with the US, to realize complex political, economic, and security interests. How one set of bilateral interests affects a country's other key relations is becoming more fluid and complex, and at the same time is becoming more central to the region's overall strategic compass. *Comparative Connections*, Pacific Forum's triannual electronic journal on East Asian bilateral relations edited by Carl Baker and Brad Glosserman, with Ralph A. Cossa serving as senior editor, was created in response to this unique environment. *Comparative Connections* provides timely and insightful analyses on key bilateral relationships in the region, including those involving the US.

We regularly cover key bilateral relationships that are critical for the region. While we recognize the importance of other states in the region, our intention is to keep the core of the e-journal to a manageable and readable length. Because our project cannot give full attention to each of the relationships in Asia, coverage of US-Southeast Asia and China-Southeast Asia countries consists of a summary of individual bilateral relationships, and may shift focus from country to country as events warrant. Other bilateral relationships may be tracked periodically (such as various bilateral relationships with Australia, India, and Russia) as events dictate. Our Occasional Analyses also periodically cover functional areas of interest.

Our aim is to inform and interpret the significant issues driving political, economic, and security affairs of the US and East Asian relations by an ongoing analysis of events in each key bilateral relationship. The reports, written by a variety of experts in Asian affairs, focus on political/security developments, but economic issues are also addressed. Each essay is accompanied by a chronology of significant events occurring between the states in question during the four-month period. A regional overview section places bilateral relationships in a broader context of regional relations. By providing value-added interpretative analyses, as well as factual accounts of key events, the e-journal illuminates patterns in Asian bilateral relations that may appear as isolated events and better defines the impact bilateral relationships have upon one another and on regional security.

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Table of Contents

Regional Overview:.....1

The Rebalance Picks up Steam

by Ralph A. Cossa and Brad Glosserman, Pacific Forum CSIS

The big news over the summer is the granting of “fast track” Trade Promotion Authority to President Obama by the US Congress. This keeps hopes alive for the Trans-Pacific Partnership, the economic centerpiece of the Obama administration’s rebalance to Asia. The political and military legs of this multidimensional strategy got a boost as Secretary of State John Kerry attended the annual ASEAN Regional Forum ministerial meeting and Secretary of Defense Ashton Carter headlined the show at the Shangri-La Dialogue. China continues to make its presence felt in regional affairs as well; President Xi Jinping attended meetings in Ufa, Russia with other BRICS and Shanghai Cooperation Organization leaders and hosted a Conference on Interaction and Confidence Building Measures in Asia (CICA) Special Working Group and Senior Officials Committee Meeting and first CICA Youth Council Conference in Beijing, while continuing to pursue his Silk Road and Asian Infrastructure Investment Bank initiatives, even as China’s economy took a significant hit. Meanwhile, Pyongyang engaged in another round of Russian roulette but backed down when it became apparent Seoul was prepared to pull the trigger. Finally, the 70th anniversary of the end of World War II put history on the front pages.

US-Japan Relations:.....17

History and other Alliance Constraints

by Sheila Smith, Council on Foreign Relations and Charles McClean, University of California, San Diego

In the wake of a highly successful April visit by Prime Minister Abe Shinzo to Washington, the US-Japan relationship seemed poised for a celebration of success in revamping the alliance. Two focal points of alliance policymakers were the Guidelines for US-Japan Defense Cooperation and the Trans-Pacific Partnership (TPP). But over the summer, both of these initiatives came under political scrutiny. Beyond alliance priorities, the US and Japan faced additional dilemmas in how to deal with a more assertive and sensitive China. Artificial island building by China in the South China Sea brought the US and Japan into closer dialogue over regional maritime cooperation. At the end of the summer, the much-anticipated commemorations of the end of World War II in Japan and China brought heightened sensitivity to the region.

US-China Relations:.....27

The Run-up to Xi Jinping’s State Visit

by Bonnie Glaser, CSIS/Pacific Forum and Jacqueline Vitello, CSIS

Preparations for Chinese President Xi Jinping’s state visit to the US in September were the primary focus of the US-China relationship from May to August. The seventh Strategic and Economic Dialogue (S&ED) was held in June in an effort to tee up agreements for the summit. Friction increased on a range of issues, including China’s artificial island building in the South China Sea, Chinese cyber hacking against US companies and the US government, and repressive laws and actions undertaken by the Chinese government, some of which are likely to have negative repercussions for future US-China people-to-people exchanges. National Security Adviser Susan Rice traveled to China at the end of August to finalize deliverables for the summit amid reports of a possible Obama administration decision to impose sanctions on China for cyber-enabled theft of US intellectual property before Xi’s arrival.

US-Korea Relations:.....43

Witnessing Anniversaries and Crisis at the DMZ

by Stephen Noerper, The Korea Society

The US and ROK marked the 65th anniversary of the start of the Korean War while the region commemorated the 70th anniversary of the end of World War II, which also marks Korean Liberation Day. The US and South Korea conducted annual military exercises mid-August amidst a flare up in inter-Korean tensions. North Korea backed down from a semi-war state and expressed regret over the landmine maiming of two ROK soldiers, as South Korea agreed to silence its speakers along the DMZ, and both agreed to talks aimed at family reunions.

US-Southeast Asia Relations:.....53

Courting Partners

by Sheldon Simon, Arizona State University

Senior State and Defense Department officials made several visits to Southeast Asia over the summer months, assuring their hosts that the US remained committed to a robust air and naval presence in the region, and assisting the littoral countries of the South China Sea in developing maritime security capacity. Washington is particularly focused on providing a rotational military force presence in Southeast Asia. On the South China Sea territorial disputes, US officials emphasized the need for peaceful approaches to conflict settlement among the claimants, pointing to arbitration and negotiation based on the 1982 UN Convention on the Law of the Sea. Washington has also accentuated the importance of security partners for burden-sharing, noting the potential for an enhanced role for Japan’s Maritime Self-Defense Force in South China Sea patrols. Efforts to involve Southeast Asian states in negotiating the Trans-Pacific Partnership (TPP) have elicited candidates from only four of the 10 ASEAN states – Malaysia, Vietnam, Singapore, and Brunei. Others have problems meeting several requirements associated with the partnership.

China-Southeast Asia Relations:.....65
Facing US-led Resistance in the South China Sea

by Robert Sutter, George Washington University, and Chin-hao Huang, Yale-NUS College
China has made significant gains in advancing control in the South China Sea. Its bold tactics involving massive dredging and rapid construction, shows of military force, deployments of its Coast Guard fleet, and movement of massed fishing vessels and large oil rigs warned of China’s power and determination to have its way. Apart from the Philippines and Vietnam, China’s Southeast Asian neighbors have adopted a low posture on the advances. Nevertheless, US rhetoric has become increasingly strident and it has deployed military forces. Japan and Australia also took steps to counter the Chinese moves. Malaysia, this year’s ASEAN chair, allowed a full discussion of the South China Sea disputes at the ASEAN foreign ministerial meetings in August. Placed on the defensive, Beijing offered words of reassurance and conciliation, emphasizing common interests with ASEAN and the US in peaceful economic development and other areas. But these tactics may have limited impact outside China.

China-Taiwan Relations:.....77
KMT Disarray Shapes Campaign

by David G. Brown, The Johns Hopkins School of Advanced International Studies, and Keven Scott, The Brookings Institution
The Kuomintang (KMT) Party’s mismanagement of the selection of its presidential candidate has left the party in disarray and increased the prospect that Democratic Progressive Party (DPP) candidate Tsai Ing-wen will win the presidency along with a majority in the Legislative Yuan (LY) elections. Faced with the prospect of DPP victories, Beijing has sent mixed messages to Taiwan, while voicing its confidence in preserving the accomplishments of the peaceful development policy for the long-term. Against this background, the Ma administration and Beijing have struggled to keep cross-strait relations moving forward.

North Korea-South Korea Relations:87
From Snakes to Ladders?

by Aidan Foster-Carter, University of Leeds, UK
Mid-2015 saw the two Koreas hit the headlines again, for the usual depressing reasons. To be exact, it was a hot August politically on the peninsula; with hostilities – mostly rhetorical, but shots were fired – cranked up to a degree not seen since the spring of 2013. Before that, three months of bickering during May through July destroyed the “late spring blossoms” which our previous report had foolishly thought to discern in bud. Having been thus wrongfooted (not for the first time), although hope springs eternal, caution seems advisable as to the prospects for and sustainability of the welcome new outbreak of peace which North and South Korea currently purport to have snatched from what so recently had looked like the brink of war.

**China-Korea Relations:.....101
Prospects for a Strategic Partnership?**

by Scott Snyder, Council on Foreign Relations, and See-won Byun, George Washington University

President Park Geun-hye’s participation in China’s 70th anniversary celebrations of the end of WWII in September affirmed Seoul’s ties with China, while enabling Seoul to go on the offensive to win Beijing’s acceptance of a Seoul-led reunification of the Korean Peninsula. The escalation of inter-Korean tensions in late August revealed the dilemmas underlying Seoul’s regional diplomacy that continue to undermine coordination on North Korea and other security challenges. Nevertheless, both China and South Korea are engaging in parallel efforts to revive commercial ties with the North. Meanwhile, South Korea has made clear for now that its ability to engage China lies firmly on the foundations provided by a strong US-ROK security alliance; however, we expect that Beijing will continuously test Seoul’s allegiances.

**Japan-China Relations:.....115
To August 15 – Toward September 3**

by James J. Przystup, Institute for National Strategic Studies, NDU

The summer months witnessed a parade of senior Liberal Democratic Party figures traveling to Beijing. The visits were aimed at sustaining positive political trends, securing an invitation for Abe to visit China, and anticipating issues related to Abe’s August statement commemorating the end of World War II. Meanwhile, China prepared to celebrate the 70th anniversary of the Chinese People’s War of Resistance against Japanese Aggression and the World Anti-Fascist War with a victory parade on Sept. 3. Against this backdrop, each country sought to enhance its security posture in the East China Sea and South China Sea, further besetting bilateral relations.

**Japan-Korea Relations:.....133
Sorry Seems the Hardest Word (unless you are a CEO)**

by David Kang and Jiun Bang, University of Southern California

It has become the norm for countries to at least try to avoid undermining the spirit of bilateral celebrations. The general mood enveloping both Japan and Korea – in anticipation of the 50th anniversary of normalization of relations on June 22 – was to accentuate areas where progress was being made while marginalizing issues that are predictably controversial. This translated into some compromise on Japan’s pursuit of gaining inscription for several sites on UNESCO’s World Heritage List, a few exchanges of cultural artifacts, and bilateral talks and meetings on the sidelines of major international conferences. The general mood, however, was decidedly anticlimactic as the 70th anniversary of Korea’s independence from Japanese colonial rule or the defeat by Japan in World War II were not so much an occasion to celebrate how much each country had accomplished, but a reality check on how much the two had yet to achieve. This “glass half empty” sentiment prevented any one event to stand out as a hallmark of bilateral cooperation over the summer.

China-Russia Relations:.....147

Tales of Two Parades, Two Drills, and Two Summits

by Yu Bin, Wittenberg University

In contrast to the inactivity in Sino-Russian relations in the first four months of the year, strategic interactions went into high gear in mid-year. It started on May 8 with the largest military parade in post-Soviet Russia for the 70th anniversary of the Great Patriotic War and ended on Sept. 3 when China staged its first-ever Victory Day parade for the 70th anniversary of its war of resistance against Japan’s invasion of China. In between, the Russian and Chinese navies held two exercises: one in the Mediterranean in May and one in the Sea of Japan in August. In between the two exercises, the Russian city of Ufa hosted the annual summits of the SCO and BRICS, two multilateral forums sponsored and managed by Beijing and Moscow outside the confines of Western institutions. For all of these activities, Chinese media described Sino-Russian relations as “[For Amity, Not Alliance](#).”

Australia-East Asia/US Relations:.....163

Alliance, Trade, Climate, and China

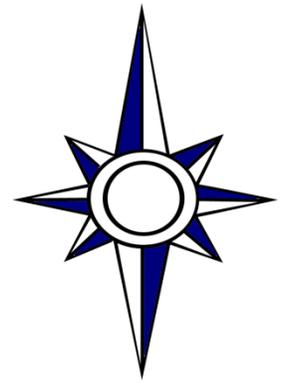
Graeme Dobell, Australia Strategic Policy Institute

The Obama administration and the Abbott government stood together in the new military coalition in Iraq and joined in the trade push for a Trans-Pacific Partnership. Australia’s Defence White Paper, about to be released, will be a strong and detailed statement of support for the alliance with the US. Yet, the discussion of the US-Australia relationship often turned into a debate about China. The notable political difference between Obama and Abbott in the past 12 months was over climate change. The US president highlighted the policy difference in a speech during the G20 Summit that Abbott hosted in Brisbane. The other divergence between Australia and the US was over China’s creation of the Asian Infrastructure Investment Bank. After initially sharing US fears about the bank, the Abbott government eventually decided to abandon the US and Japan and became a founding member.

About the Contributors.....179

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A Triannual E-Journal on East Asian Bilateral Relations



Regional Overview:

The Rebalance Picks up Steam*

Ralph A. Cossa, Pacific Forum CSIS
Brad Glosserman, Pacific Forum CSIS

The big news for this reporting period is the granting of “fast track” Trade Promotion Authority (TPA) to President Obama by the US Congress. This keeps hopes alive for the Trans-Pacific Partnership (TPP), the economic centerpiece of the Obama administration’s “pivot” or “rebalance” to Asia. The political and military legs of this multidimensional strategy got a boost as Secretary of State John Kerry attended the annual ASEAN Regional Forum (ARF) ministerial meeting in Kuala Lumpur and Secretary of Defense Ashton Carter headlined the show at the Shangri-La Dialogue in Singapore. China continues to make its presence felt in regional affairs as well; President Xi Jinping attended dual summit meetings in Ufa, Russia with other BRICS and Shanghai Cooperation Organization (SCO) leaders and hosted a Conference on Interaction and Confidence Building Measures in Asia (CICA) Special Working Group and Senior Officials Committee Meeting and first CICA Youth Council Conference in Beijing, while continuing to pursue his Silk Road and AIIB initiatives, even as China’s economy took a significant hit. Meanwhile, Pyongyang engaged in another round of Russian roulette but backed down when it became apparent Seoul was prepared to pull the trigger. Finally, the 70th anniversary of the end of World War II put history on the front pages.

Tripping over TPP

The Obama administration, along with other supporters of the Trans-Pacific Partnership trade negotiations, heaved a huge sigh of relief in June, when Congress passed legislation authorizing Trade Promotion Authority, which is considered indispensable to the conclusion of any large-scale trade deal. TPA is called “fast track” because it prevents Congress from renegotiating the terms of a deal put before it – it can only vote up or down, speeding up legislative deliberations (and hence “fast track”). President Barack Obama made one of his rare trips to the Capitol to win support, prevailing over resistance mostly from his own party, but also from Republicans who hate giving the president any legislative victories (especially when it means reducing Congressional prerogatives). The House passed the bill June 12, the Senate did the same 12 days later, and the president signed it into law on June 29.

That opened the door to the next round of negotiations among TPP representatives in July in Maui, but they couldn’t close the deal. Post-mortems blamed disputes between Japan and North America over cars (Mexico was particularly incensed over “rules of origin” that would impact its

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access to the US market), New Zealand recalcitrance over trade in dairy items (pique inspired by Canada's refusal to open its market, which prompted the US and Japan to low-ball their offers), a split between Australia and the US over sugar markets, and US resistance to any cuts in the duration of intellectual property rights monopoly periods for next-generation drugs. US Trade Representative Michael Froman said the talks made "significant progress" – Australian Trade Minister Andrew Robb agreed, adding that "98 percent is concluded" – but the tough issues remained, well, hard to resolve. In his analysis for *The Oriental Economist*, Rick Katz argued that deals negotiated with Congress to secure TPA reduced Froman's negotiating room.

There is fear now that the failure to reach agreement means that no deal will be concluded for at least another year and a half. Canada holds an election in October and the conservative government of Prime Minister Stephen Harper needs to hold the line on agriculture imports to avoid losing votes. That means that he cannot negotiate a deal until after that ballot – assuming he wins; an opposition victory will raise the bar to any deal – which then pushes any final agreement to 2016 and the midst of a US presidential campaign, which is no time for bold legislative action. If that assessment is correct, then there is the possibility that a final deal won't be concluded until 2017 or 2018.

Shangri-La: Carter steals the show

Defense Secretary Ashton Carter drew the biggest headlines at the annual Shangri-La Dialogue in Singapore following his May 30 keynote address. Once again, Beijing chose to send a lower-ranking delegation, headed by Vice Adm. Sun Jianguo, PLA deputy chief of the General Staff. While Carter's remarks focused on building a "shared regional architecture that is strong enough, capable enough, and connected enough to ensure that all Asia-Pacific people and nations have the opportunity to rise – and continue to rise – in the future," he minced no words in discussing Chinese activities in the South China Sea: "with its actions in the South China Sea, China is out of step with both the international rules and norms that underscore the Asia-Pacific's security architecture, and the regional consensus that favors diplomacy and opposes coercion."

Carter talked about the need to "respect rights, not just might," arguing further that "an effective security order for Asia must be based — not on spheres of influence, or coercion, or intimidation where big nations bully the small — but on alliances of mutual security, international law and international norms, and the peaceful resolution of disputes." He expressed "deep concerns about any party that attempts to undermine the status quo and generate instability there, whether by force, coercion, or simply by creating irreversible facts on the ground, in the air, or in the water."

While acknowledging that all claimants had developed outposts of differing scope and degree, he argued that China "has gone much farther and much faster than any other," further noting Washington's deep concern over "the pace and scope of land reclamation in the South China Sea, the prospect of further militarization, as well as the potential for these activities to increase the risk of miscalculation or conflict among claimant states." (As an aside, DoD needs to come up with a better term than "land reclamation" to describe China's effort to build islands where only reefs existed before.)

Calling for a “peaceful resolution of all disputes,” Secretary Carter insisted on “an immediate and lasting halt to land reclamation by all claimants” and an end to “further militarization of disputed features,” further noting that “America will support the right of claimants to pursue international legal arbitration and other peaceful means to resolve these disputes, just as we will oppose coercive tactics.” He then captured headlines around the world by forcefully stating “(T)here should be no mistake: the United States will fly, sail, and operate wherever international law allows, as U.S. forces do all around the world. . . . After all, turning an underwater rock into an airfield simply does not afford the rights of sovereignty or permit restrictions on international air or maritime transit.” Carter also announced a new Southeast Asia Maritime Security Initiative earmarking up to \$425 million for maritime capacity-building efforts in Southeast Asia.

In more general terms, Carter stressed the administration’s commitment to the rebalance, noting that in its next phase, “DoD will deepen long-standing alliances and partnerships, diversify America’s force posture, and make new investments in key capabilities and platforms.” He further stressed that the rebalance “is about more than just security. The United States is increasing economic and diplomatic engagement” as well, noting that the TPP had “just passed an important milestone in the U.S. Congress,” and that, when completed, “will unlock tremendous economic opportunities, not only for the United States, but for countries across the Pacific Rim.”

Along the sidelines of the Shangri-La Dialogue, Carter conducted trilateral consultations with South Korean Minister of National Defense Han Min-koo and Japanese counterpart Gen Nakatani. The three “seriously assessed the North Korean threat and agreed to closely coordinate with the international community to deter North Korean provocations” while reemphasizing “their immutable opposition to North Korea’s possession and continued development of nuclear weapons.” Carter also conducted a trilateral meeting with Nakatani and Australian Defense Minister Kevin Andrews to exchange views on regional security issues, while also meeting bilaterally with counterparts from Australia, Japan, Malaysia, and Singapore. Following his Singapore visit, Carter traveled to Hanoi, where he signed a Joint Vision Statement that committed the US and Vietnam to greater operational cooperation, and then on to India to sign a new US-India Defense Framework that will guide military cooperation for the next decade.

ARF Ministers underscore SCS concerns

Secretary of State John Kerry also had an eventful visit to Asia centered around the 22nd annual ASEAN Regional Forum ministerial on Aug. 6. As was the case at Shangri-La, the South China Sea dominated the headlines, especially after Chinese Vice Foreign Minister Liu Zhenmin asserted that the dispute should not be discussed at the meeting: “This is not the right forum. This is a forum for promoting cooperation. If the U.S. raises the [SCS] issue we shall of course object. We hope they will not.” Of course the assembled ministers did raise the topic, not just at the ARF but at the Aug. 4 ASEAN Foreign Ministers Meeting that preceded the larger gathering.

Recall at the ASEAN Foreign Ministers Meeting in Cambodia in July 2012, the assembled ministers were unable for the first time in ASEAN’s history to issue a joint communiqué as host Cambodia yielded to Chinese pressure to avoid the subject. It almost happened again this time, but host Malaysia prevailed over the objection of “some members” to include the SCS issue in

the ASEAN Minister's Joint Communiqué (which was finally issued on Aug. 6). The ASEAN Ministers "took note of the serious concerns expressed by some Ministers on the land reclamations in the South China Sea, which have eroded trust and confidence, increased tensions and may undermine peace, security and stability in the South China Sea" and "reaffirmed the importance of maintaining peace, security, stability, and freedom of navigation in and over-flight above the South China Sea." They also "reiterated the importance of expeditious establishment of an effective COC [Code of Conduct] . . . with the objective, among others, to enhance trust and confidence amongst parties."

The ASEAN ministers' comments set the stage for discussion at the ARF Ministerial that followed. The ARF Chairman's Statement echoed the ASEAN minister's call for the "full and effective implementation of the Declaration on the Conduct of Parties in the South China (DOC) in its entirety" while looking forward to the "expeditious establishment of the COC." The ministers "reaffirmed the importance of maintaining peace, security and stability, respect for international law, unimpeded lawful commerce, freedom of navigation and over-flight, including in the South China Sea." They further "called on all parties to exercise self-restraint in the conduct of activities, and avoid actions that would complicate or escalate tension."

Secretary Kerry, in his remarks, assured his assembled counterparts that ASEAN was at the "very center" of the region's multilateral architecture and "that is where the United States of America wants it to remain. ASEAN is essential to upholding the rules-based system in Asia and to ensuring that all countries, big and small, have a say in how we address shared challenges, including economic development, climate change, human trafficking, and marine conservation." He also assured them that the US "shares the frequently expressed desire of ASEAN members to preserve the peace and stability of the South China Sea. We want to ensure the security of critical sea lanes and fishing grounds, and we want to see that disputes in the area are managed peacefully and on the basis of international law."

During a press conference on the sidelines of the ARF meeting, Kerry was more specific when it came to construction efforts by China (and others) in the SCS: "What's really needed, though, is an agreement to stop not just the reclamation but the large-scale construction and militarization. So it's not just an issue of reclamation. And our hope is . . . that people stop all three and that they step back and work the process of the code of conduct and whatever other legal process to try to resolve these issues." Kerry also reiterated "America's strong support of freedom of navigation, overflight, and other lawful uses of the sea. These rights, I would remind everybody, are universal rights and they must be respected by every nation, large and small."

Kerry also participated in a 10+1 US-ASEAN bilateral session and met separately with a number of ASEAN ministers as well as his Russian and Chinese counterparts, the latter including what was described by *Reuters* as a "blunt discussion on the South China Sea." Chinese Foreign Minister Wang Yi, in his own 10+1 meeting with the ASEAN ministers reportedly told them that "outside powers" should keep out of the South China Sea dispute and that China and ASEAN should redouble efforts to reach a code of conduct.

Secretary Kerry also visited Singapore and Vietnam (and Egypt and Qatar) on this, his 13th trip to the Indo-Asia-Pacific region as secretary of state.

ARF-DPRK: Pyongyang struggles for traction

Once again the ARF Chairman's Statement "underlined the importance of peace, security and stability in the Korean Peninsula and emphasized the need to manage the dispute peacefully," and called for the resumption of Six-Party Talks. Over apparent DPRK objections, it noted that "most Ministers called on the DPRK to comply fully with its obligations to all relevant UNSC Resolutions." It also "supported the reunification of the two Koreas including through the continuation of the inter-Korean talks and cooperation and reiterated the importance of addressing humanitarian concerns."

While DPRK attendance at ARF meetings has been hit or (mostly) miss, DPRK Foreign Minister Ri Su-Yong attended this year's meeting in Malaysia as part of a Southeast Asia jaunt that reportedly also saw him visiting Indonesia, Laos, Singapore, and Vietnam and possibly Myanmar as well – North Korean reporting on the trip was sketchy, to say the least. According to an unnamed ROK Foreign Ministry official, "Ri's trip appears to aim at strengthening relationships with the Southeast Asian countries in a move to come out of international isolation and gather ground in the global diplomatic arena."

Ri's saber-rattling made headlines in Kuala Lumpur: "If the United States continues to strengthen [the US-ROK] military alliance, engage in large-scale buildup of arms, and use North Korea as an excuse, a Second Korean War is inevitable." Ri said the North "has what it takes to confront war, regardless of US decisions." He also asserted that "no matter what kind of war is to take place, it will bring about Korean unification." We agree with him regarding the outcome, although not on the presumed victor in such a confrontation. Ri also defended his nation's nuclear and long-range missile programs: "In order to protect North Korean sovereignty and its people from a nuclear disaster, we have no choice but to resort to measures of self-defense," stating that a fourth nuclear test "depends on US attitudes." A spokesman for Ri also asserted that "the US is hell-bent on increased level of provocations in front of the door of the DPRK."

The ARF meeting is unique in that it brings into one room all Six-Party Talks participants (North and South Korea, China, Japan, Russia, and the US). Not only was the opportunity to informally resume a six-way discussion missed, it appears that Ri also failed to meet either his US or ROK counterparts. He did hold informal talks with Japanese Foreign Minister Fumio Kishida, reportedly to discuss the ongoing investigation into the fates of Japanese citizens abducted by the North in the 1970s and 1980s. Ri also met Russian Foreign Minister Sergey Lavrov; it is unclear if he held talks with his Chinese counterpart.

North-South Russian roulette

While the two foreign ministers accomplished no more than a perfunctory handshake over dinner in Kuala Lumpur, the two Koreas did hold a senior-level meeting in August after a series of events – the presumed North Korean placement of land mines in the DMZ that seriously injured two ROK soldiers and, in retaliation, a resumption by Seoul of propaganda broadcasts into the North that disparaged its young leader, Kim Jong Un – resulted in the declaration of a "quasi-

state of war” and a threat to attack the loudspeakers by Pyongyang if the broadcasts did not cease in 48 hours (with a specified 5PM deadline on Aug. 22).

North Korean threats of this nature are not new. What was new was the ROK’s response: President Park Geun-Hye showed up for a press conference in battle fatigues and told Pyongyang that the broadcasts would continue beyond the demanded DPRK deadline until the North apologized for the earlier mining incident. Washington strongly backed Seoul in its demand for an apology and halt to further provocations. In the early morning hours of Aug. 25, after a 43-hour meeting – led by South Korea’s Director of National Security Kim Kwan-Jin and Unification Minister Hong Yong-pyo and their North Korean counterparts, Director of the General Political Bureau of the North Korean Army Hwang Pyong-so and Secretary of the Central Committee of the Workers’ Party Kim Yang-gon (who oversees inter-Korean relations) – the North Koreans (in our view) blinked. (See Aidan Foster-Carter’s accounting in his North-South Korea chapter for a more detailed discussion.)

Pyongyang expressed “regret” over the land mine incident and, in return, Seoul agreed to stop propaganda broadcasts “considering no unusual activity along the border occurs,” thereby serving notice that broadcasts would resume if further incidents ensued. The North, in turn, agreed to lift its “quasi-state of war” declaration and most importantly (from a ROK perspective) agreed to arrange reunions for families separated by the 1950-53 Korean War in time for the Chuseok (Thanksgiving) Holidays in September. Both sides also agreed to “hold talks in Pyongyang or Seoul at an early date in order to improve ties and have multi-faceted dialogue and negotiations in the future.” Provided the divided family program resumes as promised and serious North-South talks resume – a big assumption given Pyongyang’s previous performance – this will be seen in the South as a clear diplomatic victory for President Park.

Six-party/US-DPRK prospects remain bleak

Despite this apparent willingness to resume North-South deliberations, there was little indication that Six-Party Talks would resume anytime soon, as Pyongyang continues to insist on being treated as a nuclear weapon state, something the others won’t (and shouldn’t) consider. The prospect for US-DPRK talks also seemed slim as most analysts kept an eye on the 70th anniversary of the founding of the Korean Workers’ Party on Oct. 10, in anticipation of another DPRK missile test/satellite launch to mark the occasion. It’s possible – perhaps even likely – that the North will then put out some feelers in hopes that the Obama administration, in its final year, may seek a “breakthrough” with the North (on Pyongyang’s terms, of course).

Sydney Seiler, US special envoy for the Six-Party Talks, argued in Seoul in late July that Washington’s nuclear agreement with Iran was “an excellent example of US flexibility and willingness to engage with countries with whom we have had longstanding differences.” Seiler noted that “The Iran deal demonstrated the value and possibilities that negotiations bring,” pointing out that the “door is open” if Pyongyang chooses to “choose a different path.” The North has made it clear that it has no interest in following Iran down that particular path. The North’s Ambassador to China, Ji Jae-ryong, announced that, unlike Iran, the DPRK “is a nuclear weapons state both in name and reality and it has interests as a nuclear weapons state.” The North has no intention of negotiating away its nuclear weapons capability as long as

Washington's "hostile attitude" prevails, Ji proclaimed, noting that the North's nuclear deterrent was "not a plaything to be put on the negotiating table, as it is the essential means to protect its sovereignty and vital rights from the U.S. nuclear threat and hostile policy which have lasted for more than half a century."

Chinese regional initiatives: BRICS/SCO/CICA

China continues its own version of the pivot as it deepens its involvement in regional organizations that do not involve the US, including BRICS (Brazil, Russia, India, China, South Africa), the Shanghai Cooperation Organization (SCO), and the Conference on Interaction and Confidence Building Measures in Asia (CICA).

The BRICS and SCO Summits were held back to back in Ufa, Russia and hosted by President Vladimir Putin. The big news at the BRICS meeting was the launch of the New Development Bank (NDB), also known as the BRICS bank, with an initial capital of \$100 billion. The bank will be based in Shanghai; its first president will be K.V. Kamath, former chairman of Infosys Limited, the second-largest Indian IT services company, and non-executive chairman of ICICI Bank, India's largest private bank. The NDB is set to issue its first loans next April. This is among four new financial institutions championed by China, the others being the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund, and the SCO Development Bank.

The SCO has traditionally had six members: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The big news was the inclusion of two new members, India and Pakistan, at the Ufa Summit. President Putin stated that the accession of the two South Asian states would increase the SCO's "political and economic potential" and enhance its "capabilities to react to modern threats and challenges." Iran's Joint Comprehensive Plan of Action nuclear deal with the P5+1 group (the US, Britain, France, Germany, Russia and China) also paves the way for Tehran's full membership of the SCO, which is expected next year. The SCO leaders also signed a declaration reiterating their readiness to continue working on creation of a Development Bank and Development Fund within the SCO while supporting China's proposal to create a Silk Road economic belt across the SCO member-states.

Finally, Beijing hosted several CICA events over the past four months including the First Annual Conference of the Non-governmental Forum of the Conference on Interaction and Confidence-Building Measures in Asia in May and a CICA Special Working Group and Senior Officials Committee Meeting and CICA Youth Council Conference in August. Recall it was at the CICA Summit in Shanghai last year that President Xi gave his "Asia for Asians" speech. Founded in 1999, CICA now involves 26 countries from East, Southeast, and Southwest Asia; it "pursues its policy based on the principles of sovereign equality, non-interference in internal affairs of the Member States." Korean analyst Lee Jaehyon [observes](#) that for all its rhetoric, China appears to be emulating the US and creating its own hub-and-spoke system in the region.

Alarm bells in China

While international attention has been focused on Chinese actions in the South China Sea, the more important development may be the country's economic situation. China's economy has

slowed from the explosive double-digit growth of the past two decades to something that approximates the official target growth rate of 7 percent. (There are questions about the reliability of official statistics in China; the ability of the economy to continually hit the exact target figures is unnerving – especially when other statistics, such as energy demand, seem anomalous.) This new pace reflects a decision by Beijing authorities to try to shift the moving force of the economy from exports to more domestic-driven demand and reduce factors that would encourage the economy to overheat.

While no one expected this transition to be smooth, no one anticipated the tumult of this summer. The biggest problem has been a steep decline in the country's stock markets: share prices in Shanghai and Shenzhen fell about 30 percent during the summer, the sharpest decline in over 20 years, and creating combined losses in value of about \$3 trillion (a figure that dwarfs the Greek economic crisis). Since share prices in those two exchanges had swelled some 120 percent in the last year, some deflating was in order: a bubble was plainly at work. But the stocks that were inflating were small- and medium-size companies and those holding the inflating stocks were small investors who had taken on big margin positions and had borrowed heavily to get in on the action. The bursting of the bubble meant that those investors were going to be hurt: according to government statistics, loans to investors for stock purchases increased 900 percent over the last two years. And if, as frequently occurs, the collateral for those loans is real estate holdings, then those investors' homes could be at risk. The prospect of large numbers of ordinary Chinese taking big losses is unnerving: today's Chinese don't know what it is like to lose money. This experience may well test the resilience of Chinese society – and by extension the government and the Party.

The government has pulled out the stops to halt the slide, doing everything from restricting the shorting of stocks, manipulating margin requirements, prodding large entities to invest in shares and hold stocks, to suspending trading and IPOs, and going after individuals for spreading rumors that threaten market stability (sometimes called journalism). Nothing has done the trick. The government has invested hundreds of billions of dollars in the market to prop up shares to little effect (reportedly most afternoons before the close); that has tarnished its reputation for competence and exposed its lack of faith in market practices.

Doubts about the Beijing's government's economic policy were magnified in August when it announced that it was moving the RMB from a "managed float" in which the currency could only move within a narrow band each day to a wider band in which the market would play a larger role in setting its exchange value. Officially, the step was part of the effort to move to a freer floating rate, a critical step in the drive to get the RMB accepted in the IMF's Special Drawing Rights (SDR) basket, which would signal the yuan's acceptance as a reserve currency.

The immediate consequence of the move was a significant devaluation of the RMB: it registered its biggest drop in value in 21 years. That move helped the slowing Chinese economy, providing instant competitiveness and a ready boost to exporters. The indirect consequences may prove quite damaging, however. First, China's foreign exchange reserves fell \$94 billion in August as a result of efforts by the People's Bank of China to prop up the RMB every day at the close of trading to keep it from falling too far. Second, again, it exposed the Beijing government's professions of faith in market economics as hollow. Third, the continued fall, and the impact on

China's trading partners, also exposed as empty the government's rhetoric about win-win solutions and good neighborliness (at least in economic matters). Finally, the drop in foreign exchange reserves will at some point begin to squeeze China's largesse and undercut efforts to win (read: "buy") friends through new financial institutions.

The ripples from Chinese decisions are spreading. The slowdown has reduced China's demand for the raw materials that feed its manufacturing machine. African nations such as Sierra Leone, Angola, Zambia, and Liberia are considered especially vulnerable to the new normal in China. China's foreign direct investment is also expected to take a hit, which will end up bruising many emerging market economies that have come to rely on its investments. One study concluded that Australia, Brazil, Russia, Chile, and Korea will be especially hard hit by the currency devaluation. It can be assumed that key institutions, such as the military, will not be affected by the slowdown or any cut in foreign exchange reserves.

The Chinese Communist Party has, since the adoption of economic reforms more than two decades ago, established its legitimacy on the ability to offer steadily improving lives to Chinese; its claim to rule is based on economic returns, not ideology. That image is now badly dented and if investors take big hits, the credibility of the party and its legitimacy could be at risk.

AIIB gets off the ground

Fortunately for Beijing, it managed to get its new international financial institution, the Asian Infrastructure Investment Bank (AIIB), off the ground before the summer economic madness. The bank's Articles of Agreement were signed by 50 of the 57 prospective founding members on June 29. By August, one more country joined those ranks but no government has ratified the articles of agreement.

Questions about the bank's operations are being slowly resolved; China will retain the prerogatives of the largest shareholder, but it will not be able to do as it pleases. It isn't clear how the financial troubles Beijing has encountered over the summer will constrain its options or shape Chinese thinking. A slowdown at home will increase the pressure to exploit opportunities provided by the AIIB and along the Silk Road to goose the domestic economy. Concerns about the AIIB challenge to the international economic order have not been eliminated, but the general mood has shifted – not least because so many governments are now represented within it.

History comes alive

This summer was unusually hot – not just because of the temperature, but because of tensions generated by history. Aug. 15 marked the 70th anniversary of the end of World War II, and the commemorations this year were more freighted than usual: Japanese Prime Minister Abe Shinzo had for over a year insisted that he would make a different kind of statement, one that broke with precedent and reflected a different approach to the past. There were whisperings that Abe would repudiate the Kono Statement (that acknowledged Japanese government responsibility for the plight of the comfort women) and the Murayama Statement (the most forthright apology for Japan's wartime behavior that was issued at the 50th anniversary in 1995). That prospect became

a focal point of regional diplomacy, with China, South Korea, and the US all deeply worried about what Abe might say.

He previewed his thinking in speeches to the Australian Parliament in July 2014, the 50th anniversary of the Bandung Conference in April of this year, and a joint session of the US Congress at the end of that month. He commissioned “an advisory panel on the 20th century and Japan’s role and the world order in the 21st century.” The panel presented its findings on Aug. 6, 2015, and they largely anticipated the prime minister’s speech on Aug. 14. The panel rooted Japanese behavior in that of the time, when the world was dominated by the West and imperialism was an accepted mode of government policy. Nonetheless, it conceded that Japan acted aggressively (although some panel members dissented from the use of this word) and caused great harm to regional nations.

In his Aug. 14 speech, Abe pledged to uphold and honor the earlier government declarations: the “position articulated by the previous Cabinets will remain unshakable into the future.” He conceded that “Japan gradually transformed itself into a *challenger* to the *new international order* ... Japan took the wrong course and advanced along the road to war.” He made plain that “upon the innocent people did our country inflict immeasurable damage and suffering” and pledged “Incident, aggression, war – we shall never again resort to any form of the threat or use of force as a means of settling international disputes.” The statement included four key words – “aggression” (*shinryaku*), “colonial domination” (*shokuminchi shihai*), “deep remorse” (*tsusetsu na hansei*), and “apology” (*owabi*) – that were seen as critical by non-Japanese for assessing the past. Finally it acknowledged that “we Japanese, across generations, must squarely face the history of the past. We have the responsibility to inherit the past, in all humbleness, and pass it on to the future.”

The US was satisfied with the statement as were most governments. South Korean President Park Geun-hye expressed her displeasure in remarks on Aug. 15, saying “it is hard to deny that Prime Minister Abe Shinzo’s statement ... did not quite live up to our expectations.” China’s Foreign Ministry spokesperson was also disappointed, noting that “Japan should have made an explicit statement on the nature of the war of militarism and aggression and its responsibility on the wars, made sincere apology to the people of victim countries, and made a clean break with the past of militarist aggression, rather than being evasive on this major issue of principle.”

In his remarks on the occasion, Japan’s emperor broke with the past, but in ways that neighbors would appreciate. He expressed “deep remorse” for Japan’s actions during World War II, a sentiment that not only went beyond that of Prime Minister Abe but also showed more contrition than he expressed in every previous commemoration, when he used the phrase “deep sorrow.”

Seoul’s disappointment was especially acute as it (along with Tokyo) marked on June 22 the 50th anniversary of the normalization of relations with Japan. There were hopes that this event would spur the two governments to get their relationship back on track: each leader went to the other’s embassy to celebrate the occasion. Alas, the opportunity was missed as relations failed to rebound.

There were other historical commemorations: as always, there were the August ceremonies marking the atomic bombings of Hiroshima and Nagasaki. Caroline Kennedy became the second US ambassador to attend the events on Aug. 6 marking the devastation of Hiroshima. Joining her was Undersecretary of State for Arms Control and International Security Rose Gottemoeller, who also attended commemorations in Nagasaki on Aug. 9. Japanese still hold hopes that President Obama will attend one of the two ceremonies before he leaves office as a sign of his commitment to nuclear disarmament.

China played its own history card with a parade on Sept. 3 to mark the 70th anniversary of its victory over Japan. The parade was only the fourth in the 39 years since the Maoist era, and the first ever that did not celebrate the founding of the People's Republic. It was intended to demonstrate China's military might, while simultaneously reassuring neighboring countries of Beijing's commitment to peace. The anti-Japanese tenor of the event – a reminder that Japan has been and can again be a threat to regional peace – unnerved many governments, prompting them to keep their distance. History remains as divisive as ever in East Asia.

Looking ahead

For all those differences, the last four months of 2015 will provide ample opportunities for regional leaders to meet and do something positive. President Obama will hold summits with Xi Jinping and President Park, the UN General Assembly will hold its annual opening session, APEC and the G20 will hold their annual leaders meetings, and there are reports of a summit between Prime Minister Abe and President Park along the sidelines of the tentatively scheduled “Plus Three” Summit (China, Japan, ROK) this fall. If those men and women wish to demonstrate real leadership they will have plenty of chances. We aren't holding our breath.

Regional Chronology

May – August 2015

May 3, 2015: Meeting on the sidelines of the Asian Development Bank annual meeting, the 18th ASEAN Plus Three Finance Ministers' and Central Bank Governors' Meeting (AFMGM + 3) is held in Baku, Azerbaijan.

May 6, 2015: Japanese and Philippine coast guards conduct joint anti-piracy exercises in the Philippines.

May 9, 2015: North Korea announces it successfully fired a ballistic missile from a submarine.

May 12, 2015: Two Japanese destroyers and one of the Philippines' newest warships conduct maneuvers involving maritime domain awareness, search and rescue, and disaster response.

May 12-13, 2015: Seventh round of negotiations on a trilateral free trade agreement (FTA) among China, Japan, and the Republic of Korea is held in Seoul.

May 14-16, 2015: Indian Prime Minister Narendra Modi visits China and South Korea.

May 14-28, 2015: Chief negotiators for the Trans-Pacific Partnership countries meet in Guam.

May 15, 2015: Third China-Japan-ROK Counterterrorism Consultation meeting held in Beijing.

May 16-19, 2015: Secretary of State John Kerry visits China and South Korea.

May 16-23, 2015: Deputy Secretary of State Antony Blinken visits Vietnam, Indonesia, and Myanmar.

May 18-22, 2015: US Pacific Command hosts defense leaders from 23 countries (excluding China) in Hawaii at the inaugural Pacific Command Amphibious Landing Symposium (PALS).

May 20, 2015: US Navy *P-8 Poseidon* surveillance aircraft conducts overflights in the region of the Spratly Islands. Chinese Navy repeatedly warns the aircraft to depart the airspace.

May 20, 2015: Foreign ministries of Indonesia and Malaysia agree to provide up to a year of humanitarian assistance and shelter for as many as 7,000 Bangladeshi and Rohingya migrants left adrift in Southeast Asian waters.

May 21-25, 2015: Naval forces from Singapore and China conduct inaugural *Exercise Maritime Cooperation*, described by Singapore's Ministry of Defense as a "milestone in the bilateral defence relationship." The exercise involves conventional naval warfare serials, such as gunnery firings and maneuvering drills.

May 24-26, 2015: Malaysian Prime Minister Najib Razak visits Japan and meets Prime Minister Abe Shinzo. They sign the [Japan-Malaysia Joint Statement on Strategic Partnership](#).

May 25, 2015: China lodges a complaint with the US over the US Navy *P-8A Poseidon* that flew over parts of the Spratly Islands on May 20.

May 25-27, 2015: Vietnamese Defense Minister Phùng Quang Thanh visits India and meets Prime Minister Narendra Modi and Defense Minister Manohar Parrikar.

May 26, 2015: China issues a [white paper](#) on its military strategy, stressing "active defense" and pledging closer international security cooperation.

May 26, 2015: The ASEAN Regional Forum (ARF) *Disaster Relief Exercises (DiREx) 2015* convenes in Malaysia and is co-chaired by Beijing and Kuala Lumpur. The discussion focuses on regional coordination and cooperation on disaster relief mechanisms.

May 26-27, 2015: The lead negotiators to the Six-Party Talks from the US, Japan, and South Korea meet in Seoul to consult on ways to make substantive progress in North Korea's nuclear issues at all levels, including deterrence, pressure and dialogue.

May 27, 2015: US Secretary of Defense Ashton Carter meets Philippine Secretary of National Defense Voltaire Gazmin in Hawaii, discussing security issues in the South China Sea and reaching an agreement to hold a 2-plus-2 assistant secretary-level meeting as soon as possible.

May 29, 2015: Thai government hosts summit with more than 20 nations and international organizations participating to seek solutions to the crisis of asylum seekers fleeing Bangladesh and Myanmar's Rakhine State.

May 29, 2015: US Special Representative for North Korea Policy Sung Kim says at a media briefing in Beijing that China agrees that "pressure" should be a part of its policy on North Korea, and the US believes that China is fully implementing sanctions on North Korea.

May 29-31, 2015: Shangri-La Dialogue is held in Singapore.

May 31-June 1, 2015: Secretary of Defense Carter pays an official visit to Vietnam and meets Minister of Defense Phung Quang Thanh; they sign a joint vision statement.

June 1, 2015: Chinese Commerce Minister Gao Hucheng and South Korean Trade Minister Yoon Sang-jick sign a bilateral FTA in Seoul.

June 2-3, 2015: Secretary of Defense Carter visits India, meeting Prime Minister Narendra Modi and Defense Minister Manohar Parrikar.

June 2-5, 2015: Philippines President Benigno Aquino visits Japan and meets Prime Minister Abe. They agree to initiate talks on a framework for the transfer of defense equipment and technology and to discuss a visiting forces agreement for Japanese Self-Defense Force personnel visiting the Philippines to facilitate joint training and exercises.

June 8-14, 2015: Vice Chairman of China's Central Military Commission Fan Changlong visits the US with stops at a Boeing aircraft factory and several military installations. He also meets Defense Secretary Carter in Washington.

June 11, 2015: Zhou Yongkang, the former secretary of China's Central Political and Legal Affairs Commission and a member of the 17th Chinese Communist Party's Politburo Standing Committee is sentenced to life in prison for bribery, abuse of power, and leaking state secrets.

June 11, 2015: Anonymous US officials suggest that China may have been behind a massive US government data breach in April 2015. Chinese officials call the allegations "counterproductive" and "irresponsible."

June 17-19, 2015: Chinese State Councilor Yang Jiechi and Vietnamese Deputy Prime Minister and Minister of Foreign Affairs Pham Binh Minh co-host the eighth meeting of the China-Vietnam Steering Committee for Bilateral Cooperation in China.

June 18-30, 2015: US and Philippines conduct their 21st annual *Cooperation Afloat Readiness and Training (CARAT) Philippines* military exercise.

June 22-26, 2015: Philippines and Japan hold second joint naval maneuvers of the year in the South China Sea.

June 23-24, 2015: Seventh meeting of the US-China Strategic and Economic Dialogue (S&ED) is held in Washington, DC.

June 24, 2015: US Congress renews trade promotion authority for the president more commonly referred to as “fast track” or TPA, which is seen as needed to finalize negotiations on the Trans-Pacific Partnership (TPP).

June 25, 2015: US State Department releases its [Country Reports on Human Rights Practices in 2014](#), detailing human rights abuses in several Asian countries.

June 26, 2015: In its annual rebuttal to US accusations of human rights violations by the US State Department, Beijing issues its own [report](#) and accuses the US of being “haunted by spreading guns” and racial discrimination.

June 26, 2015: US hosts the seventh trilateral dialogue with India and Japan in Honolulu to exchange views on a broad range of regional and global issues of mutual interest.

July 2, 2015: ASEAN Secretariat announces during meeting in Kuala Lumpur that the group will create a fund to aid regional countries that host the victims of human trafficking. US State Department and the UN High Commissioner for Refugees also participate in the meeting.

July 5-19, 2015: US and Australia conduct sixth *Talisman Sabre (TS2015)* biennial military exercise involving nearly 30,000 personnel. Forty Japanese also participate in the exercise.

July 6-10, 2015: Vietnam’s Communist Party General Secretary Nguyen Phu Trong travels to the US and meets President Barack Obama.

July 7-13, 2015: Five-member tribunal hearing Manila’s case against Beijing’s South China Sea claims at the Permanent Court of Arbitration in The Hague holds a hearing on preliminary jurisdiction and admissibility of claims.

July 9-10, 2015: Fifteenth Shanghai Cooperation Organization (SCO) Summit and fifth BRICS Summit is held in Ufa, Russia.

July 11, 2015: Myanmar’s opposition National League for Democracy (NLD) announces that it will participate in the parliamentary elections scheduled for Nov. 8 even though party opposition leader Aung San Suu Kyi will not be eligible to serve as president.

July 13-24, 2015: US and Singapore conduct 21st annual *CARAT Singapore* naval exercise.

July 21, 2015: Japanese Cabinet approves the Defense Ministry’s [white paper](#) for 2015, which gives significant attention to “China’s military threat.”

July 22-31, 2015: Chinese Navy conducts military training in the waters east of Hainan Island in the South China Sea. During the training, “no vessel is allowed to enter the designated maritime areas,” according to China’s Maritime Safety Administration.

July 25-Aug. 1, 2015: US Special Envoy for Six-Party Talks Sydney Seiler travels to Seoul, Beijing, and Tokyo for meetings with senior officials on North Korea policy.

July 27, 2015: US State Department releases its [2015 Trafficking in Persons Report](#), assessing government efforts around the world to combat modern slavery.

July 28-31, 2015: Ministers from TPP countries meet in Hawaii to finalize negotiations. Outstanding issues include access to Canada’s agricultural market, Australia’s concerns about US pharmaceutical patent rules, Vietnam’s ability to meet rules-of-origin requirements, and labor rights in Mexico and Vietnam.

July 29, 2015: Ninth China-ASEAN senior officials meeting on the implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) is held in Tianjin to discuss a code of conduct (COC) in the South China Sea.

July 31, 2015: China and Southeast Asian nations agree to set up a foreign ministers’ hotline to address emergencies, avoid accidents and miscalculations in the South China Sea. The regional foreign ministers' hotline will be the first involving China. Manila and Hanoi established a naval hotline in 2014 to monitor ongoing events in the South China Sea.

July 31, 2015: South Korean Director General of the Foreign Ministry’s North Korean Nuclear Affairs Bureau Kim Gunn, Japanese Deputy Director General of the Foreign Ministry’s Asian and Oceanian Affairs Bureau, and US Special Envoy for the Six-Party Talks Sydney Seiler meet in Tokyo to discuss next steps on North Korea’s denuclearization.

Aug. 1-5, 2015: ASEAN-related foreign minister and post-ministerial meetings (48th ASEAN, 16th ASEAN+3, and fifth East Asia Summit) are held in Kuala Lumpur.

Aug. 4, 2015: Two South Korean soldiers are injured by landmines inside the demilitarized zone (DMZ). The South Korean military blames Pyongyang for placing the mines in the area.

Aug. 4-8, 2015: Secretary of State John Kerry visits Asia with stops in Singapore, Kuala Lumpur, and Vietnam.

Aug. 4-10, 2015: US and Indonesian navies conduct *CARAT* exercise. Activities include amphibious landings and anti-submarine warfare.

Aug. 5, 2015: Chinese Foreign Minister Wang Yi states that Beijing has halted land reclamation in the South China Sea, and calls on countries in the region to speed up talks on how claimant states should conduct themselves in the disputed waters.

Aug. 6, 2015: ASEAN Regional Forum is held in Kuala Lumpur.

Aug. 14, 2015: North Korea rejects accusations by South Korea that it was responsible for landmine explosions on Aug. 4 inside the DMZ that wounded two South Korean soldiers.

Aug. 14, 2015: Japanese Prime Minister Abe Shinzo delivers a speech commemorating the 70th anniversary of the end of World War II in which he acknowledges the Murayama and Kono Statements, but largely fails to satisfy the Chinese and South Korean demands for an apology.

Aug. 17-21, 2015: US and Malaysia conduct *CARAT Malaysia 2015*, a joint military exercise.

Aug. 17-28, 2015: South Korea-US joint military exercise *Ulchi Freedom Guardian* is held in Korea. North Korea condemns the exercise as a “declaration of war” and boasts of its ability to make retaliatory strikes against Seoul and the White House.

Aug. 20-25, 2015: ASEAN Economic Ministers Meeting and related meetings are held in Kuala Lumpur. Ministers from the countries involved in the Regional Comprehensive Economic Partnership announcement agreement on the “modalities” for the partnership on Aug. 24.

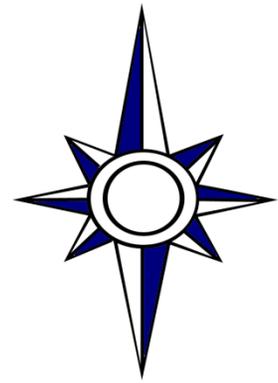
Aug. 20-28, 2015: China and Russia conduct a joint naval exercise, *Joint Sea-2015 (II)*, in the Peter the Great Gulf, waters off the Clerk Cape, and the Sea of Japan.

Aug. 20, 2015: US Department of Defense releases its [*Asia-Pacific Maritime Security Strategy*](#).

Aug. 22-25, 2015: North and South Korea meet in Panmunjom and reach agreement on measures to reduce tensions. The North “expresses regret” over recent mine blasts that maimed two ROK soldiers and the South agrees to switch off loudspeakers broadcasting propaganda messages across the border.

Aug. 27-Sept. 14, 2015: Militaries from China, Australia, and the US conduct Exercise *Kowari* in Darwin, Australia.

Aug. 28-29, 2015: US National Security Advisor Susan Rice visits China and meets President Xi Jinping as well as State Councilor Yang Jiechi, Foreign Minister Wang Yi, and General Fan Changlong, a vice chairman of China’s Central Military Commission.



**US-Japan Relations:
History and Other Alliance Constraints***

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In the wake of a highly successful visit by Prime Minister Abe Shinzo to Washington in late April, the US-Japan relationship seemed poised for a celebration of success in revamping the alliance. Two focal points of alliance policymakers were the Guidelines for US-Japan Defense Cooperation and the Trans-Pacific Partnership (TPP). But over the summer, both of these initiatives came under political scrutiny. The Abe Cabinet's new security legislation drew increasingly vocal protests, first from constitutional scholars and then from an ever-broadening coalition of demonstrators who gathered in the tens of thousands outside the Japanese Diet. TPP, on the other hand, struggled within Washington, especially as the Congress and the White House went head to head over the battle for trade promotion authority, which was finally granted. By late summer, however, it was clear that problems among the US, Japan, and other Asia-Pacific partners threatened to stall the negotiations, and make it more and more likely that TPP would not be an Obama administration legacy.

Beyond bilateral alliance priorities, the US and Japan faced additional dilemmas, both related to dealing with a more assertive and sensitive China. Artificial island building in the Spratlys and a cyber attack on the US Office of Personnel Management rattled US-China relations, which brought the US and Japan into closer dialogue over regional maritime cooperation. Senior Japanese military leaders began to speak publicly about the possibility of a larger Japanese role in the South China Sea.

At the end of the summer, the much-anticipated commemorations of the end of World War II in Japan and China brought heightened sensitivity to the region. The Aug. 14 Abe Statement and Xi Jinping's speech at the national military parade on Sept. 3, the day of Japanese surrender in China, demonstrated the distance between the two neighbors. Each revealed a new revisionist gaze on their war legacy, and it was hard to ignore the undertones of contemporary bilateral tensions in both leaders' remarks. Abe chose not to travel to China, although he did not announce his decision until just days before.

The Abe Cabinet's new security legislation

The Abe Cabinet's decision to reinterpret the right of collective self-defense (CSD) last year required implementing legislation, and these new security laws were presented to the Lower

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House of the Diet in mid-May. With a two-thirds majority in the Lower House and a simple majority in the Upper House, Abe's Liberal Democratic Party (LDP) and Komeito were well positioned to pass the laws. But a combination of political slip-ups by the ruling coalition and a widening sense of skepticism among the public of the prime minister's intentions deepened concerns and prompted a standoff with the opposition parties in the Diet, an increasingly outspoken legal and intellectual critique of the Abe Cabinet's ambitions, and growing numbers of demonstrators protesting on the streets around the Diet.

Opposition party critique of the legislation was unanimous, despite some early predictions that the Japan Innovation Party (JIP) might assist the LDP. Prime Minister Abe's speech to the US Congress, in which he assured legislators that he would pass these new bills in order to ensure close cooperation between the two allies, drew immediate fire from an incensed opposition, which felt he had made promises to Washington before even showing them the legislation. But the biggest blow came in the committee deliberations over the bills. Constitutional scholars were invited to comment on the constitutionality of the new laws on June 4. Those invited by the opposition parties were expected to disagree with the government, but when the expert scholar selected by the LDP, Hasabe Yasuo of Waseda University, strongly condemned the 2014 Abe Cabinet decision to reinterpret the right of collective self-defense as unconstitutional, it kindled a more viral movement of opposition across the country. Constitutional scholars, artists, and other public intellectuals initiated petitions, regional legal associations convened town hall meetings, local assemblies passed resolutions in protest, and protestors took to the streets in ever-larger numbers.

In July, when the JIP offered an alternative bill, and initially Prime Minister Abe seemed to want to find a compromise solution. But JIP President Matsuno Yoriyoshi presented his version, compiled with the assistance of the Democratic Party of Japan (DPJ), it was clear that there would be no amalgam bill. The JIP took a far different stance on two provisions that were central to Abe's reform. First, the JIP argued that the constitution did not need to be reinterpreted, and that the existing right of self-defense was sufficient for Self-Defense Force (SDF) operations needed for the defense of Japan. Second, the alternative bill refused to allow any SDF activity in the vicinity of a conflict, thereby refusing to allow any logistical or other support for US or other forces engaged in war. Realizing there was little there to build a compromise around, the prime minister's party pushed to end committee deliberations and put the bills to a floor vote. On July 16, the Lower House voted to pass the new security legislation, and sent it to the Upper House. Abe's extension of the Diet session to Sept. 27 provided for the 60-day deliberations needed by the Upper House, and for a return to the Lower House if the bills are not approved. If a vote is not taken or the bills are rejected, the Lower House will be able to pass them into law.

Prime Minister Abe's ruling coalition has the voting strength to pass the legislation despite this growing opposition, but the summer debate and spiraling protests have taken their toll on his popularity, with his support rating dropped each week in July, until it sunk below his disapproval rating – the first time in his time as prime minister. Unlike prior dips in popular approval, this trend line showed a significant discomfort in Japan with his approach and in particular with the lack of clarity in his government's explanation of why the reinterpretation of Japan's Constitution was necessary. After the Lower House voted on the bills, the prime minister

openly acknowledged that he had not sufficiently explained to the Japanese public what this reform meant for Japan. By the end of the summer, although his approval ratings began to come back up, a majority of Japanese still felt he had not fully explained, and many were deeply unsure whether this policy reform violated the Constitution.

TPP talks falter

During their summit meeting in Washington in April, President Obama and Prime Minister Abe restated their joint commitment to reaching a successful conclusion of their bilateral trade talks and the broader Trans-Pacific Partnership (TPP) trade deal, which includes the United States, Japan, and 10 other nations. Negotiations on a US-Japan trade deal have been ongoing for years and while there are still concerns over politically sensitive issues such as agriculture and automobiles, officials in both countries continue to express optimism that a deal can be reached this year. Appearing before a joint session of the US Congress on April 29, Abe stressed that Japan is committed to “[bringing great reforms](#) toward the agriculture policy that’s been in place for decades.”

On the US side, the granting of Trade Promotion Authority (TPA) to President Obama was considered a critical milestone, though its passage through Congress was stalled by opponents of free trade in both parties. TPA grants President Obama the ability to bring any agreement before the Congress through an [expedited “fast-track” process](#) that allows for a straight up-or-down vote without any amendments, which makes it easier for the Obama administration to convince other TPP members that it is negotiating “in good faith” and will bring any deal before the full Congress without making alterations. The Senate approved a trade package including TPA with bipartisan support on May 22 (62-37), but the bill ran into difficulties as it moved through the House. Members of the House elected to divide the trade package into two components – TPA and Trade Adjustment Assistance (TAA), a program meant to help US workers who lose their jobs as a result of trade deals – and vote under a procedure that requires approval of both components for the package to pass. On June 12, the House narrowly voted in favor of TPA (219-211), but House Democrats joined Republicans in voting against TAA (126-302), defeating the overall package despite a personal outreach by President Obama and Labor Secretary Thomas Perez just hours before the vote.

Initially, the vote cast doubts on whether President Obama would be able to secure TPA, and that failure to do so might endanger negotiations on TPP. However, the move proved to only stall TPA’s eventual passage. Speaker of the House John Boehner reintroduced just the TPA portion of the original trade package as an independent bill, and it was passed by the House on June 18 (218-206) and then the Senate on June 24 (60-38). The Senate also passed a separate bill on June 24 concerning TAA, which was approved by the House on June 25 (286-183) given the fact that voting it down could no longer delay the passage of TPA. [President Obama signed both TPA and TAA into law](#) on June 29.

The approval of TPA created a sense of optimism among officials on both sides of the Pacific that an agreement might be reached on the US-Japan bilateral deal and the larger TPP deal during ministerial talks at the end of July in Maui. However, a final deal remained elusive. While it seemed that the US and Japan might be close to reaching an agreement on their greatest

bilateral sticking points (agriculture and automobiles), issues affecting other member nations delayed passage of the larger TPP deal. For example, Canada wanted to protect its politically sensitive dairy market ahead of elections in October, while New Zealand demanded that other nations greatly increase their imports of dairy products. Many of the parties to the negotiations also wanted shorter patent periods and fewer protections for pharmaceutical firms, which the United States opposed.

TPP ministers did issue a joint statement saying that they were close to a deal, and many members are hoping that a deal can be [concluded before the 2016 US presidential race starts to heat up this fall](#). Given the US political calendar, some members are worried that a deal might not reach Congress until next year, or that passage could even be delayed until after the 2016 election, raising doubts about the ultimate fate of any agreement.

Military risk reduction efforts and Chinese activities in the South China Sea

China loomed large over the summer. Japanese and US policymakers both had to contend with Chinese behavior in the South China Sea. The artificial island building and suspected militarization of contested islands in the Spratlys raised hackles around the region, and prompted even further efforts by Tokyo to enhance and improve cooperation with other maritime states in Southeast Asia, especially Vietnam and the Philippines. The navies of the US and Japan separately conducted island defense exercises in Palawan with Philippine forces; Vietnam's communist party leaders visited Tokyo and Washington to discuss their concerns. Diplomats from both countries worked hard to build a concerted regional position that would halt any further land reclamation on these contested islands as well as agree not to militarize them.

US and Japanese military leaders also consulted extensively on the options for a collective response should Chinese ambitions in the South China Sea begin to threaten freedom of navigation (FON) or other maritime norms. In an interview in the June 25 *Wall Street Journal*, Japan's Chief of the Joint Staff Adm. Kawano Katsutoshi noted that if China's activities continued to challenge regional maritime interests, he would consider conducting reconnaissance and surveillance activities in the South China Sea. Adm. Kawano toured the United States at the invitation of the US Joint Chief of Staff, Gen. Martin Dempsey, in mid-July, which allowed for a fuller discussion of US and Japanese perceptions of the shifting military balance in the region.

Both Washington and Tokyo have ongoing talks with Beijing over military risk reduction measures. Following the approval of a Code for Unplanned Encounters at Sea (CUES) by the Western Pacific Naval Symposium held in Qingdao in April 2014, President Obama and Chinese President Xi Jinping announced a bilateral agreement on maritime interactions. Likewise, Japan and the PRC began their discussion of military risk reduction measures after Abe and Xi met at APEC, and many expected progress on these over the summer. With concern over the South China Sea, however, the prospects of meaningful military confidence building measures that would assure the US and Japan of China's commitment to maritime stability seem less promising.

WWII history month and Japan-China relations

Finally, the summer concluded with perhaps the most anticipated event of the 70th anniversary of World War II, Prime Minister Abe's August 15th Statement. Abe had foreshadowed his thinking early in the year and again in his address to the US Congress. But the regional spotlight intensified on the prime minister as he prepared to draft his own statement on the wartime legacies of Japan's relationship with its neighbors.

For many, the words Abe chose mattered most. Referencing the language used in the 1995 Murayama Statement, and again in the Koizumi Statement of 2005, specific markers of contrition were identified. Four phrases in particular were seen as significant: "aggression" (*shinryaku*), "colonial domination" (*shokuminchi shihai*), "deep remorse" (*tsusetsu na handsei*) and "apology" (*owabi*). Many in Japan, including some in his own party, openly opposed reiterating Japan's apology for the war. Abe chose to use all four of these sensitive terms in his text, albeit with some degree of ambiguity about his own feelings.

The Abe Statement addressed the civilian suffering inflicted by Japan in Asia, listing the devastation in China, Southeast Asia, and the Pacific Islands. Twice in the statement, he mentioned the suffering of women on the battlefield, noting that the "honor and dignity" of those women was severely injured. But he did not address directly the continuing lack of diplomatic resolution between Tokyo and Seoul for the Korean women that were forcibly recruited to serve in military brothels. Perhaps the most novel part of his statement spoke to the need to ensure that future generations of Japanese would not be "predestined to apologize" for WWII. Abe noted that 80 percent of Japanese today had no direct experience of the war, having only experience the postwar peace. He called on his contemporaries to "face history squarely," but did not articulate how his government planned to do that.

The White House quickly issued a statement of support, suggesting that the US endorsed Abe's effort to meet the expectations of Japan's neighbors. A week earlier, the Obama administration had sent its representatives to the ceremonies at Hiroshima and Nagasaki commemorating the dropping of the atomic bombs. US Ambassador to Japan Caroline Kennedy was accompanied by Under Secretary of State for Arms Control and International Security Rose Gottemoeller, demonstrating the link in US war memory to the promise of nonproliferation and global nuclear arms reeducations.

At summer's end, the US and Japan also watched warily as China commemorated the end of World War II, a commemoration accompanied by a display of its newfound military might. President Xi Jinping, due in Washington in September, called for peace, but the display of missiles whose sole aim is to target US forces in the region, including those on Japanese soil, left few wondering about Xi's real message. Japanese and US military analysts also noted that as the parade was taking place in Beijing, five Chinese naval vessels were offshore Alaska as President Obama visited Anchorage.

Conclusion

The summer of 2015 demonstrated the domestic challenge in both the US and Japan to altering and expanding mechanisms for alliance reform. Policymakers found political opposition in

legislatures in Washington and Tokyo; and, while public approval of the alliance and trust in each other is at all-time highs, the complex effort to adjust the relationship will take time.

The longstanding Japanese reluctance to changing the role of their Self-Defense Forces abroad remains a serious constraint on the alliance. In the US, economic leadership remains difficult as new fissures in the constellation of support for globalization threaten to undermine the once-powerful Republican Party consensus on trade and global investment. These domestic challenges on both sides have slowed the realization of alliance goals. But, as the events of this summer demonstrate, there is an increasingly felt need to adjust to a rising China that will demand adjustment in US-Japan relationship. Collective action with other partners in the Asia Pacific will prompt greater diplomatic opportunity for Tokyo and Washington to expand their alliance agenda. The fall will bring more regional leaders to Washington, most notably China's president and South Korea's president to Washington. Wrapping up this sensitive 70th anniversary of a destructive war with greater diplomatic breakthroughs would bring a welcome close to the year for Abe and Obama. Yet, the complex new relations between Tokyo, Beijing, and Seoul make it difficult to predict how 2015 will end for the US and Japan. The postwar settlement in Asia seems to be giving way to a new regional balance of power, but one that seems distant in the domestic debates of Tokyo and Washington.

Chronology of US-Japan relations May – August 2015

May 1, 2015: Prime Minister Abe Shinzo travels to Los Angeles to attend the Japan-US Economic Forum and lays a wreath at the “Go for Broke” monument, which commemorates Japanese-American World War II soldiers.

May 8, 2015: House Democratic Leader Nancy Pelosi visits Tokyo to accept the Grand Cordon of the Order of the Rising Sun and meets with Prime Minister Abe.

May 14, 2015: Abe Cabinet approves two security bills meant to expand the overseas role of the Self-Defense Forces in international security efforts and the US-Japan alliance.

May 15, 2015: Abe Cabinet submits the two security bills to the Lower House for deliberation.

May 19, 2015: The Special Committee on Security-Related Legislation is created in the Lower House to discuss the Abe government's proposed security bills.

May 22, 2015: US Senate approves a trade package (62-37) including Trade Promotion Authority (TPA).

May 26, 2015: Lower House deliberations begin on the security legislation.

May 26, 2015: US Strategic Forces Subcommittee Chairman Mike Rogers leads a delegation of House members to Tokyo, where they meet with Prime Minister Abe and discuss missile defense and the broader US rebalance efforts in Asia.

June 3, 2015: Okinawa Gov. Takeshi Onaga visits Washington and meets Office of Japanese Affairs Director Joe Young, Acting Deputy Assistant Secretary of Defense Cara Abercrombie, and Sen. John McCain, chairman of the Senate Armed Services Committee, to discuss the relocation of Marine Corps Air Station Futenma.

June 4, 2015: Three constitutional law professors – Hasebe Yasuo (Waseda University), Kobayashi Setsu (Keio University), and Sasada Eiji (Waseda University) – appear before the Lower House Commission on the Constitution. All agree that the package of security bills before the Lower House is unconstitutional.

June 4, 2015: Maryland Gov. Larry Hogan visits Japan and meets Prime Minister Abe and expresses interest in bringing Japan’s new high-speed maglev train technology to Maryland.

June 12, 2015: Adm. Harry Harris, newly appointed commander of US Pacific Command, visits Tokyo and meets Prime Minister Abe.

June 12, 2015: US House of Representatives votes in favor of TPA (219-211), but votes against Trade Adjustment Assistance (TAA), which defeats the trade package passed by the Senate.

June 16, 2015: Hawaii Gov. David Ige visits Tokyo and meets Prime Minister Abe to promote expanded travel between Japan and Hawaii.

June 12, 2015: House approves the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, but TAA is voted down 126-302.

June 18, 2015: House votes 218-208 (with 28 Democrats joining all but 50 Republicans) to narrowly pass legislation to give TPA to President Obama.

June 22, 2015: Prime Minister Abe announces that the current Diet session will be extended to Sept. 27 to ensure passage of the new security legislation.

June 24, 2015: Senate votes 60-13 (with 13 Democrats joining all but five Republicans) to give TPA to President Obama, allowing him to keep on track with negotiations on the Trans-Pacific Partnership (TPP) trade deal.

June 25, 2015: House votes 286-138 to pass TAA, sending the final trade-related bill to the president’s desk.

June 25, 2015: At a meeting of an LDP study group set up to discuss the Abe administration’s culture and art policies, several lawmakers deeply criticize the *Okinawa Times* and the *Ryukyu Shimpo*. Hyakuta Naoki, a former governor at NHK and close adviser of Prime Minister Abe, is quoted as saying the papers “must be closed down by any means,” while other lawmakers advocate punishing the papers by targeting their advertising sources.

June 25, 2015: Adm. Kawano Katsutoshi, Japan's chief of the Joint Staff of the Self-Defense Forces, acknowledges concerns about China's behavior in the South China Sea in an interview with the *Wall Street Journal*. He suggests that Japan may consider conducting surveillance of the South China Sea.

June 26, 2015: US hosts the seventh trilateral dialogue with India and Japan in Honolulu.

June 29, 2015: President Obama signs both TPA and TAA into law.

July 1-2, 2015: US Special Advisor for Children's Issues Ambassador Susan Jacobs visits Tokyo to discuss continued cooperation consistent with the Abduction Convention and the resolution of pre-Hague Convention cases.

July 2-3, 2015: US Special Representative for North Korea Policy and Deputy Assistant Secretary for Korea and Japan Ambassador Sung Kim visits Tokyo to meet senior officials including Asian and Oceanian Affairs Bureau Director General Junichi Ihara.

July 4, 2015: Chief Cabinet Secretary Suga Yoshihide and Okinawa Governor Onaga Takeshi hold talks in Tokyo, and Suga apologizes for the criticism by several LDP lawmakers of Okinawan newspapers in a meeting on June 25.

July 8, 2015: Japan Innovation Party (JIP) submits bills as a counterproposal to the LDP's proposed security legislation.

July 12, 2015: About 750 members of *Gambare Nippon!*, a conservative activist group in Japan, organize a protest to support the security legislation.

July 14, 2015: Approximately 20,000 protesters, including students, NPO groups, and older citizens, gather in Hibiya Park to demonstrate their opposition to the security bills.

July 14, 2015: Total of 9,766 Japanese scholars, artists, and other public intellectuals, including Nobel laureate Toshihide Masukawa, sign a petition opposing the new security legislation.

July 14-16, 2015: Assistant Secretary for Arms Control, Verification, and Compliance Frank Rose visits Tokyo to meet Ministry of Foreign Affairs, Ministry of Defense, and Cabinet Office officials to discuss space security, missile defense, and arms control.

July 15, 2015: Japan's Lower House Special Committee on Security-Related Legislation approves security bills, paving the way for a vote by the full House.

July 16, 2015: Japan's Lower House votes to pass new security legislation, and the bills are sent to the Upper House. If the Upper House does not vote on the legislation within 60 days, then the bills will return to the Lower House and can be enacted by a two-thirds vote.

July 22, 2015: The third US-Japan Cyber Dialogue is held in Tokyo. Officials discuss bilateral cooperation on cyber issues such as infrastructure protection, capacity building, and cybercrime.

July 22-24, 2015: Special Representative for North Korea Policy Sung Kim travels to Tokyo to participate in alliance and other bilateral discussions.

July 28-31, 2015: US hosts a meeting of the TPP trade ministers in Maui, Hawaii.

July 30, 2015: US Special Envoy for the Six-Party Talks Sydney Seiler travels to Tokyo to meet senior officials, including Deputy Director General for Asian and Oceanian Affairs Takizaki.

Aug. 4, 2015: Chief Cabinet Secretary Suga announces that Japan will temporarily halt construction on the base at Henoko for one month (from Aug. 10 to Sept. 9) to give time for the government to continue discussions with Okinawa Gov. Onaga.

Aug. 5, 2015: Vice President Joseph Biden calls Prime Minister Abe to apologize for “causing trouble” after WikiLeaks alleges NSA spied on Tokyo.

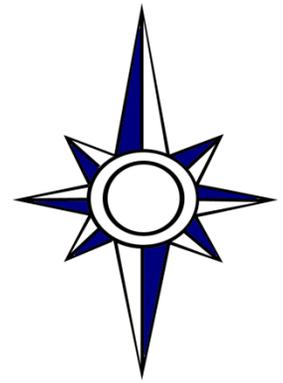
Aug. 6, 2015: US Secretary of State John Kerry and Japanese Foreign Minister Kishida Fumio meet on the sidelines of the ASEAN Regional Forum in Kuala Lumpur. They discuss the upcoming anniversary of World War II, coordination on China and North Korea, and the TPP.

Aug. 6-10, 2015: Under Secretary of State for Arms Control and International Security Rose Gottemoeller visits Hiroshima and Nagasaki to attend peace memorial ceremonies and then to Tokyo to lead US delegation to Japan-US Commission on Disarmament and Nonproliferation.

Aug. 14, 2015: Prime Minister Abe delivers a speech marking the 70th anniversary of the end of World War II.

Aug. 26, 2015: Prime Minister Abe meets members from a bipartisan congressional delegation of the US-Japan Caucus.

Aug. 28, 2015: Prime Minister Abe hosts the World Assembly for Women in Tokyo.



US-China Relations:

The Run-up to Xi Jinping's State Visit*

**Bonnie Glaser, CSIS/Pacific Forum CSIS
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Preparations for Chinese President Xi Jinping's state visit to the US in September were the primary focus of the US-China relationship from May to August. The seventh Strategic and Economic Dialogue (S&ED) was held in June in an effort to tee up agreements for the summit. Friction increased on a range of issues, including China's artificial island building in the South China Sea, Chinese cyber hacking against US companies and the US government, and repressive laws and actions undertaken by the Chinese government, some of which are likely to have negative repercussions for future US-China people-to-people exchanges. National Security Adviser Susan Rice traveled to China at the end of August to finalize deliverables for the summit amid reports of a possible Obama administration decision to impose sanctions on China for cyber-enabled theft of US intellectual property before Xi's arrival.

Secretary Kerry visits Beijing

As the US and China prepared for their annual Strategic and Economic Dialogue (S&ED), Secretary of State John Kerry traveled to Beijing in mid-May for consultations. In addition to his meetings with Foreign Minister Wang Yi, State Councilor Yang Jiechi, Premier Li Keqiang, and Central Military Commission Vice Chairman Fan Changlong, Kerry also met Chinese President Xi Jinping. The agenda of the meeting with Xi included areas of cooperation, such as climate change, Iran's nuclear program, and combatting Ebola in West Africa, as well as contentious issues such as cyber hacking and the South China Sea. Xi reiterated that the consensus he reached with President Obama to build a new model of major country relations is in the common interests of the US and China and said that the US-China relations "remains stable on the whole" and "has witnessed early harvest." This suggests that Xi does not view the problems in the bilateral relationship as seriously as the US would like him to.

In a joint press conference with Wang Yi, Kerry described the US-China relationship as "one of the most consequential, if not the most consequential relationship in the world." On areas where the two countries disagree, such as maritime disputes, cyber issues and human rights, Kerry emphasized that the two sides "don't simply agree to disagree and move on." Rather they talk to each other candidly and try to find "a cooperative road ahead." Wang Yi insisted that China and the US have "far more common interests than differences." He noted that he and Secretary Kerry had discussed details for Xi Jinping's visit to the US in September, including "the arrangement

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of events, the agenda items, and the outcomes of this visit.” Wang described Xi’s planned visit as “the paramount priority for the China-US relationship this year, which will have far-reaching and major implications for the China-US relationship in the days ahead.” Indeed, ensuring that Xi Jinping’s September visit to the US is a “success” in Chinese terms is currently Beijing’s foremost concern.

The seventh Strategic and Economic Dialogue

Secretary of State Kerry and Treasury Secretary Jacob Lew co-hosted the seventh annual S&ED June 23-24 with their Chinese counterparts Vice Premier Wang Yang and State Councilor Yang Jiechi. A central objective of this year’s S&ED was to pave the way for Chinese President Xi Jinping’s upcoming September visit to the United States. According to US Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel, the S&ED talks “unquestionably serve to advance the agenda,” in preparation for such state visits. Russel referenced the 2014 S&ED’s success in “teeing up progress on the climate deal that President Obama and President Xi were able to announce” last November, as an example.

The focus of the talks in the economic track was on reorienting China’s growth model from investment to consumption, from manufacturing to services, and from exports to domestic spending. While the Chinese recognize the need for the shift, they worry about potential unintended consequences of undertaking fundamental structural adjustments and are therefore implementing reforms slowly. The slide in Chinese stock markets over the summer introduced additional uncertainty that many observers worry may delay steps to rebalance the economy. The US was pleased to receive commitments from China on nondiscriminatory treatment for US information and communications technology in China’s banking sector, but as US Chamber of Commerce Executive Vice President Myron Brilliant noted in a post-S&ED statement, “implementation, including whether US companies are able to secure commercial opportunities in sectors targeted for home-grown development, will be the measure of the value of these commitments.” China also pledged further reforms in the financial sector, including liberalizing interest rates, expanding market access to foreign investors, and opening capital markets.

China committed to holding bilateral meetings to discuss the possibility of implementing its Antimonopoly Law in a more transparent and nondiscriminatory manner and agreed to discuss non-discriminatory patent policies as well. These offers, however, fell short of US expectations. On exchange rate reform, another US concern, China promised for the first time to intervene in the market only when there are “disorderly market conditions,” which some US reports interpreted as a merely “incremental gain.” Heavy Chinese intervention to break the stock market’s fall in the weeks after the S&ED increased US worries about the Chinese government’s willingness to allow for substantially more open and transparent markets.

A primary concern of the Chinese side at the S&ED was enhancing China’s international economic status and limiting US interference in its push to achieve that goal. In his closing remarks, Vice Premier Wang highlighted the US commitment to “implement the plan of IMF quota and Executive Board reform,” while noting China’s stance that the quota should continue to shift in favor of emerging markets to “better reflect the relative weight of IMF member states in the world economy.” This increased pressure comes after China’s recent unexpected success

in establishing the Asian Infrastructure Investment Bank (AIIB) as an alternative to existing financial institutions like the World Bank and the IMF. One driver of Beijing's push to create the AIIB was its limited voice in these existing bodies. AIIB success aside, China continues to seek higher status in the IMF and World Bank. At the S&ED closing press conference, Vice Premier Wang emphasized China's desire for the RMB's inclusion in the IMF's special drawing rights basket, stating that the US had "promised to respect the IMF's procedures and process" in the upcoming review.

The bilateral investment treaty (BIT) was also discussed in the economic track. Vice Premier Wang called the BIT negotiations "the top priority in bilateral economic relations," and Secretary Lew echoed his statement. Following the conclusion of the S&ED, Myron Brilliant called the BIT "the single, most decisive step the two governments can take to deepen the economic relationship," signaling the US business community's support for the treaty. Chinese state-run media outlet *Xinhua* applauded the S&ED for setting a "clear timeline" for a second round of negative list exchanges on the BIT. The initial swap of negative lists in June, which outlined sectors that the US and China deem closed to the other side's investors, was a disappointment, with China's list far too long to provide the basis for serious negotiations.

The two sides are set to exchange new negative lists in early September ahead of President Xi's US visit. China views these sector-based exclusions as a much-needed edge in competition against more developed economies, while the US believes they represent unnecessary barriers to market entry. Continued support for the BIT from the US business community will depend largely on the forthcoming Chinese negative list, both the items listed and the length of the list.

Chinese media largely hailed the economic track dialogue of the 2015 S&ED as a success, with *Xinhua* claiming the economic discussions made bilateral economic ties "more stable... and paved the way for Xi's visit in September." US representatives, including Secretary Lew, described the discussions as "informative, insightful and frank, reflecting the full range of issues that we face in our bilateral relationship." Lew cautioned, however, that "more progress is needed in order to ensure balance and sustainable growth for both our economies," highlighting the importance of continued progress toward a market-determined exchange rate for the RMB.

Secretary Kerry and State Councilor Yang co-chaired the strategic track of the S&ED that focuses on diplomatic and security issues. The breadth of the bilateral relationship was underscored in the "outcomes" document that was released after the end of the talks. It contained 127 items, including cooperation on various regional and global challenges including maritime issues, health, environmental protection, science, technology, and agriculture, and a lengthy section on cooperation on climate change and energy. The most contentious matters were cyber-enabled theft and Chinese activities in the South China Sea.

For the first time, a separate special S&ED session was held on US and Chinese ocean policies, which included promoting cooperation to protect the marine environment and to combat illegal, unreported, and unregistered fishing. The two sides also agreed to expand cooperation between their coast guards and maritime law enforcement authorities. Briefing the press, Secretary Kerry noted that precisely because the US and China have disagreements on maritime policy, they were working hard to address differences and find areas of commonality.

On June 22, the US and China held the fifth round of the joint civilian-military Strategic Security Dialogue (SSD) co-chaired by Chinese Vice Foreign Minister Zhang Yesui and US Deputy Secretary of State Antony Blinken, and attended by Deputy Chief of Staff of the PLA Sun Jianguo, US Undersecretary of Defense for Policy Christine Wormuth, and US Ambassador to China Max Baucus. Public reports on the meeting revealed little, noting only that a “candid” and “constructive” exchange was held on security issues of common concern. The agenda apparently included cyber security, outer space, nuclear policy, and maritime issues. Sources indicated that the meeting was mostly an exchange of talking points, and did not narrow differences on any of the issues discussed. Two days later, US Deputy Secretary of Defense Robert Work “frankly exchanged opinions” with Adm. Sun Jianguo, according to *PLA Army Daily*.

The sixth annual High-Level Consultations on People-to-People Exchanges (CPE) convened on June 23-24. Headed by Secretary Kerry and Chinese Vice Premier Liu Yandong, the two sides held working groups on youth, culture, sports, health, education, science and technology, and women’s issues. Deputy Secretary of State Blinken delivered remarks and noted US concern with the “scope” of China’s proposed Non-Governmental Organizations (NGO) law, which threatens the operations of foreign NGOs in China. Blinken candidly stated that “the draft law could have a chilling effect on the very exchanges and relationships that we’re working together to build and to strengthen.” The CPE dialogue achieved 119 outcomes across a range of issues.

No progress in defusing tensions over South China Sea

Tensions over the South China Sea continued throughout the summer with no signs of easing. During Secretary Kerry’s visit to China in May, he conveyed US concerns about the pace and scope of China’s land reclamation on seven features in the Spratly Island chain and publicly urged the Chinese to take measures to reduce tensions and seek a diplomatic solution. A few days later in a speech delivered in Jakarta, Deputy Secretary of State Blinken criticized China’s actions to “make sovereign land out of sandcastles and redraw maritime boundaries,” saying that they were “eroding regional trust, undermining investor confidence, and challenging the energy security upon which all of us depend.” He called for all claimants to exercise self-restraint and resolve their differences in accordance with international ties and the rule of law. In late June, Blinken again condemned China’s South China Sea activities in a talk at the Center for a New American Security. Comparing China’s behavior to Russia’s aggression in eastern Ukraine, Blinken charged that both are “efforts to unilaterally and coercively change the status quo – transgressions that the United States and our allies and partners stand united against.”

In an effort to publicize China’s massive artificial island building and apparent challenges to US surveillance flights operating in the vicinity, the US Navy permitted a *CNN* team to join a surveillance patrol toward the end of May. Flying aboard a *P-8A Poseidon*, *CNN* filmed the land features below and recorded repeated warnings from the Chinese Navy through the radio of the aircraft to stay out of China’s “military alert zone” and to “go away . . . to avoid misunderstanding.” Although it appeared from the footage that the US aircraft was flying very close to the islands, in fact it did not fly within 12nm of any land feature. Revealing that such patrols are being conducted regularly in the Spratlys, Capt. Mike Parker, commander of the fleet of *P-8* and *P-3* surveillance aircraft deployed to Asia, told *CNN* aboard the *P-8A*, “We see this

every day.” Two months later, the newly installed US commander of the Pacific Fleet, Adm. Scott Swift, joined a seven-hour surveillance mission over the islands. The public release of a photo of Swift on board the plane was another example of the US Navy’s effort to broadcast China’s island building and signal US determination to preserve peace and security in the region. Secretary of Defense Ashton Carter joined the fray in late May, first at the change-of-command ceremonies at the US Pacific Command and the US Pacific Fleet in Hawaii, and then at the Shangri-La Dialogue in Singapore. Carter called for “an immediate and lasting halt to land reclamation by any claimant” and an end to further militarization of the disputed features in the South China Sea. He also pledged that the US would “fly, sail, and operate wherever international law allows.” Noting that China’s recent actions are causing nations in the region to work together in new ways and demand greater US involvement, Carter pledged that the US would meet these expectations. “We will remain the principal security power in the Asia-Pacific for decades to come,” he declared.

Two days later, Carter reiterated that message to a large audience of regional experts and officials at the annual Institute of International Strategic Studies (IISS) gathering in Singapore. He also underscored the importance of improving US-China military-to-military ties and building habits of cooperation. China’s representative to the meeting, Adm. Sun Jianguo, maintained that China would use its outposts primarily for peaceful purposes that will benefit the entire region and asserted that Beijing would consider establishing an air defense identification zone in the South China Sea only if Chinese security is threatened.

As the US-China S&ED and the ASEAN Senior Officials Meeting approached, Beijing announced that its land reclamation projects were nearing an end. China’s Foreign Ministry spokesman detailed plans to build infrastructure for civilian projects that would provide public goods to the region, and acknowledged that construction for military purposes would also take place. Contrary to Chinese hopes that the pending halt to dredging would be welcomed by the US, the Department of State chastised China’s refusal to refrain from further construction and militarization on its outposts.

In July, Assistant Secretary of State Daniel Russel gave a speech at the fifth annual conference on the South China Sea held by the Center for Strategic and International Studies (CSIS). Russel called on the Chinese to stop land reclamation, cease construction of new facilities and forego further militarization of existing facilities. “When you find yourself in a hole – stop digging,” he said, quoting former Deputy Secretary of State Richard Armitage. Russel implored the Chinese to “create room for diplomacy.” “For us, it’s not about the rocks and shoals in the South China Sea or the resources in and under it,” he asserted. “It’s about rules and it’s about the kind of neighborhood we all want to live in. So we will continue to defend the rules, and encourage others to do so as well.”

Later that month, US Commander of the Pacific Command Adm. Harry Harris, speaking at the Aspen Security Forum, insisted that the facilities on China’s artificial islands are “clearly military in nature.” The 10,000-foot runway on Fiery Cross Reef “is large enough to take a *B-52*, almost large enough for the Space Shuttle, and 3,000 feet longer than you need to take off a 747,” Harris said. He also revealed that China is building hangars that are designed to host tactical fighter aircraft and expressed concern that the islands could host radars and electronic

warfare capabilities. China is “changing the status quo in the region through aggressive, coercive island building,” Harris charged.

On Aug. 20, the US Department of Defense released a report on its maritime security strategy in the Asia Pacific that stated China had reclaimed more than 2,900 acres of land in the Spratlys, 17 times more land in 20 months than all the other claimants combined over the past 40 years.

Cyber sanctions on the agenda?

On April 1, President Obama signed an executive order establishing a sanctions program to combat cyber-attacks, wherein he declared that cyber-attacks “constitute an unusual and extraordinary threat to the national security, foreign policy and economy of the United States.” Obama said at the signing that under the new order, the US would respond to anyone posing threats to the US by “damaging our critical infrastructure, disrupting or hijacking our computer networks, or stealing the trade secrets of American companies or the personal information of American citizens for profit.”

The following month, on May 18, a US federal grand jury indicted six Chinese citizens, including Zhang Hao, a professor at Tianjin University, on charges of stealing trade secrets. Assistant Attorney General John Carlin stated that “the defendants leveraged their access to and knowledge of sensitive U.S. technologies to illegally obtain and share U.S. trade secrets with the PRC for economic advantage.” Carlin went on to say that “economic espionage imposes great costs on American businesses, weakens the global marketplace and ultimately harms US interests worldwide.” In response, Chinese state-run media outlet, *Xinhua*, published a response titled “Tianjin University Expresses Serious and Grave Concern over Prosecutions of its Professors,” in which the author argued that Zhang Hao’s research “adheres to international standards for scientific research and is within the parameters of academic ethics.”

The cyber issue in US-China relations escalated further on June 4 when the Obama administration announced an unprecedented breach in data held by the US Office of Personnel Management (OPM) involving millions of US federal employees’ personal information. The information acquired could help identify covert agents or exploit vulnerabilities among government employees. The Obama administration was initially reluctant to publicly blame the Chinese government for the attack, despite compelling evidence. The Chinese, for their part, vigorously denied any allegations that the government was involved in the cyber-attack. At a regular press briefing on June 5, Chinese Foreign Ministry spokesman Hong Lei stated that China wished the US would be “less suspicious and stop making any unverified allegations, but show more trust and participate more in cooperation.”

The OPM hack posed a dilemma for the Obama administration. Since raising cyber-enabled theft as a priority issue with China, the US has taken the position that using cyber to steal economic secrets is unacceptable, but is legitimate for the purpose of appropriating other types of information. China has rejected this distinction since its definition of national security blurs the lines between economic and other forms of national power. The Chinese OPM hack raised the question of whether the Obama administration would broaden its definition of improper targets of cyber-attacks. This possibility was hinted at by an unnamed senior US administration official,

who told the *New York Times* that the OPM break-in was a clear-cut case of “classic espionage, just on a scale we’ve never seen before from a traditional adversary.”

At the opening of the S&ED, State Councilor Yang stated that China wished to work with the US and other countries to develop an “international code of conduct for cyber information sharing.” Secretary Kerry added his strong belief that “the US and China should be working together to develop and implement a shared understanding of appropriate state behavior in cyberspace,” but also stated Washington’s deep concern “about cyber incursions that have raised security questions and quite frankly harmed American businesses,” in apparent reference to recent cyber-attacks by China. No agreement to establish a code of conduct for cyberspace was included on the list of the S&ED outcomes.

Immediately following the close of the S&ED, US Director of National Intelligence James Clapper officially identified China as the “leading suspect” in the OPM attacks. Clapper also said that these types of attacks would continue “until such time as there is some sort of penalty for what we would find reprehensible and onerous,” but also saluted the Chinese for the hack, stating that if the US “had the opportunity to do that, I don’t think we’d hesitate for a minute.”

On July 23, FBI Assistant Director for Counterintelligence Randy Coleman highlighted a 53 percent rise in economic espionage cases over the past year and attributed the majority of this rise to China. In a major departure from Obama administration policy, the *Washington Post* reported on Aug. 30 that the White House was preparing a list of possible sanctions against Chinese SOEs and individuals that the administration believed had “benefited from their government’s cybertheft of valuable US trade secrets.” If issued, these sanctions would be the first use of Obama’s executive order signed in April. While the OPM hack appears to have provided the impetus for forging a consensus in the administration on sanctions, any sanctions that are imposed are likely to be solely on Chinese companies that have benefited from the illegal theft of US intellectual property. Sanctions may not be the only course of action that the administration is pursuing in retaliation for recent cyber-attacks, however. An unnamed US official suggested that “done in tandem with other diplomatic pressure, law enforcement, military, intelligence,” sanctions might “actually start to impose costs and indicate that there are costs to the bilateral relationship.”

The timing of the sanctions will be important in the run-up to Xi Jinping’s September visit. If sanctions are announced prior to the Xi visit, this, more than almost any other issue, has the potential to cause serious friction in bilateral relations. The White House has thus far declined to comment on the specifics or the timing of the sanctions that are being considered. US media reports suggest that sanctions are likely to be imposed prior to Xi’s arrival in the US.

China’s domestic laws and human rights

US concerns about China’s increasingly repressive domestic political policies mounted in this May to August period. US companies operating in China expressed concern about new Chinese laws, including the national security law, which was adopted by China’s National People’s Congress (NPC) on July 1, as well as draft versions of NGO, cyber security and counterterrorism laws. The national security law is expansive, covering threats to territorial sovereignty, internet

security, outer space, among others. Among the potential negative repercussions the new legislation may have if passed is the hindrance of foreign competition in Chinese markets.

With the broad purpose of protecting “the political power of the people’s democratic dictatorship and the system of socialism with Chinese characteristics,” the national security law serves to aid President Xi Jinping in the consolidation of his personal and political power. The sweeping language of the law will help Xi to implement his comprehensive reforms and provide a veneer of legal cover for his initiative to move to a rule-of-law system, while being vague enough to allow for wide-ranging, and possibly excessive, methods of enforcement. Among other requirements, the national security law demands that all key network infrastructure and information systems be “secure and controllable.” US officials and companies worry that this language could result in further restrictions on the use of foreign technologies in China and thus greatly reduce market access.

Other Chinese laws, currently in draft form, are also likely to impose restrictions on foreign companies and organizations. The draft counterterrorism law, for example, could compel foreign firms to relinquish access to critical data on any systems they use on Chinese soil. The draft NGO law could seriously limit the activities of foreign NGOs and require every foreign non-governmental organization to register with the police. The implications for US-China exchanges were highlighted by Deputy Secretary of State Blinken who said “every lecture by a US university professor, every concert by the New York Philharmonic, every act of charity by a foreign nonprofit organization, every seminar on investment opportunities by business chambers, would require permission from the police and could be subjected to prohibitive regulations and inappropriate monitoring.” According to Zheng Shuna, a member of the Legislative Affairs Commission of the NPC Standing Committee, the new laws are crucial in the face of “ever-growing security challenges.”

The Chinese government also mounted a broad crackdown on human rights lawyers operating in the country, accusing hundreds of attorneys and activists of “creating social chaos.” Chinese state-run media outlets *People’s Daily* and Xinhua reported human rights attorneys as having “staged open defiance inside the courtroom and on the Internet.” The *New York Times* reported Li Heping, one of China’s most prominent human rights lawyers, and three of his colleagues as having “disappeared” in Beijing on July 10. It was later revealed that more than 200 lawyers and human rights advocates had been arrested, questioned, interrogated or “held incommunicado” in the sudden crackdown July 10-12.

The 19th US-China Human Rights Dialogue was held on Aug. 13 in Washington, DC, headed by US Assistant Secretary of State for Democracy, Human Rights and Labor Tom Malinowski and the Chinese Foreign Ministry’s Director General of the International Organizations Department Li Junhua. At a press briefing following the talks, Malinowski said that “the vast majority of the conversation concerned events in China” and the “growing sense of alarm ... about human rights developments” there. The two sides discussed in depth China’s recent crackdown on lawyers, concerns with China’s national security law, the draft NGO, counterterrorism and cyber laws, and issues of religious freedom in China. Li stressed that “China and the United States have (areas of) consensus, but more differences in terms of human rights.” Li argued that human rights issues “should not dominate” bilateral discussions, and that the two sides “should see a bigger

picture.” In a departure from the Obama administration’s past approach, Malinowski said human rights concerns would be “very prominently addressed” in the upcoming Obama-Xi summit.

US-China military ties sustain momentum

CMC Vice-Chairman Fan Changlong made a week-long visit to the United States in June. Prior to arriving in Washington DC, Gen. Fan toured three military bases, the aircraft carrier *USS Ronald Reagan* in San Diego, and a Boeing factory in Seattle. The main goal of the trip, according to Guan Youfei, director of the Foreign Affairs Office of China’s Ministry of National Defense, was “to create a positive atmosphere for the planned state visit to the United States by Chinese President Xi Jinping in September by boosting mutual trust, deepening cooperation, promoting friendship, and accumulating consensus.”

On June 11, Gen. Fan met US Secretary of Defense Ashton Carter at the Pentagon. According to *Xinhua*, Fan suggested that “both militaries should work hard to build a new type of military relations of ‘mutual trust, cooperation, no conflict, and sustainability.’” They agreed that both sides should do their utmost to complete negotiations on air-to-air encounters to the Code of Safe Conduct on Naval and Air Encounters before Xi Jinping’s September visit.

Carter raised US concerns about the South China Sea and reiterated his proposals that China halt its land reclamation and stop further militarization on its artificial islands in the Spratlys. Gen. Fan explained that China’s construction on the islands is intended primarily for civilian purposes, while insisting that China has the right to establish military facilities on its own territories. He reportedly described the South China Sea as an “interlude” in the bilateral relationship and proposed that the two sides “take the high ground to get a long-term perspective.” Fan also urged the US military to reduce its naval and air activities in the South China Sea. Other issues discussed included Taiwan, Japan, and the Korean Peninsula. Gen. Fan invited Secretary Carter to visit China later this year and issued a separate invitation to Adm. Harry Harris, the new commander of the US Pacific Command.

During his visit, Gen. Fan and US Army Chief of Staff Gen Raymond Odierno witnessed the signing of the Framework Document on a Mechanism of Dialogue for US-China Army-to-Army Exchanges and Cooperation at the National Defense University. The new platform is intended to provide the two armies with a channel “to raise and discuss issues of mutual concern such as humanitarian assistance and disaster response practices,” according to the Pentagon.

Gen. Fan also met with National Security Adviser Susan Rice and Deputy Secretary of State Blinken. Although China had hoped for a meeting between Fan and President Obama, no meeting took place. In 2006, the last time a CMC vice chairman visited the US, President Bush dropped by the meeting between Gen. Guo Boxiong and National Security Adviser Stephen Hadley. The White House’s decision to not grant a meeting with Obama this time was likely a signal of the US administration’s dissatisfaction with China’s cyber hacking and destabilizing activities in South China Sea.

In June, China dispatched PLA troops to Mongolia to participate in Exercise *Khann Quest*, a multinational ground forces peacekeeping drill cosponsored with the US Pacific Command

(PACOM). It marked the first time that China has participated in *Khaan Quest*, which has been taking place annually since 2003, though Chinese soldiers have joined as observers in prior years. The exercise included 1,200 military personnel from 25 countries and is designed to enhance military-to-military interoperability and mission effectiveness, as well as develop common tactics, techniques, and procedures.

The US Navy *Arleigh Burke*-class guided-missile destroyer *USS Stethem* (DDG 63) arrived in Qingdao on July 28 for a three day visit. In addition to holding recreational activities and exchanging visits with Chinese sailors, the *USS Stethem* conducted a fleet communication drill at sea with PLA Navy warships from the North Sea Fleet. The port call took place less than four months after the *USS Blue Ridge* (LCC-19) visited Zhanjiang, signaling an uptick in US naval port visits to China. Three Chinese Navy ships visited Naval Base San Diego in August 2014 after participating in the *Rim of the Pacific* international maritime exercise.

Heading to the summit

National Security Adviser Susan Rice visited Beijing at the end of August in a bid to firm up preparations for Xi Jinping's visit to the US and produce more deliverables. Meeting with Xi, she said that his trip presents "a great opportunity" to strengthen and deepen cooperation between the two countries. Both Rice and Xi emphasized the need to expand common ground and manage differences. Rice also met with Gen. Fan and State Councilor Yang.

One item on the agenda may have been Beijing's request for the extradition of Chinese businessman, Ling Wancheng, who fled to the US after his brother, Ling Jihua, was ousted from the Chinese Communist Party (CCP). Jihua was the former director of the CCP's General Office, who was expelled in July under Xi's intensifying anti-corruption campaign. According to *Xinhua*, the CCP found that Ling Jihua had hoarded a significant amount of state and party "core secrets," which if passed on to his brother could prove to be a real intelligence victory for the US. The Obama administration has thus far refused to accede to Beijing's request.

The summit will commence on the evening of Sept. 24 with a small dinner that will include Presidents Obama and Xi along with a few of their close aides. Apart from the pomp and circumstance that goes along with such state visits, expect public emphasis on US-China cooperation on global challenges such as Iran and climate change, and tough closed-door discussions on a growing pile of controversial issues, including the South China Sea, cyber hacking and cyber-enabled theft, and China's repressive and anti-foreign domestic environment.

Chronology of US-China Relations* **May – August 2015**

May 6-8, 2015: Delegation of US Democratic and Republican Party leaders and US business leaders meet senior Communist Party of China (CPC) officials and Chinese business leaders for the eighth US-China High-Level Political Party Leaders Dialogue in Beijing.

* Chronology compiled by CSIS intern Emily Chen

May 8, 2015: US Department of Defense releases its annual report to Congress entitled *Military Developments Involving the People's Republic of China 2015*.

May 10-12, 2015: US Senate Foreign Relations Committee holds hearings on US-China Civil Nuclear Agreement.

May 13, 2015: US-China Economic and Security Review Commission holds hearing on China's Relations with Southeast Asia.

May 13, 2015: US Senate Committee on Foreign Relations holds a hearing on Safeguarding American Interests in the East and South China Seas. Daniel Russel, assistant secretary of state for East Asian and Pacific affairs and David Shear, assistant secretary of defense for Asian and Pacific security affairs, provide testimony.

May 14, 2015: Assistant Secretary Russel testifies on Advancing US Economic Engagement in Asia before the US House Foreign Affairs Committee.

May 16-17, 2015: Secretary of State John Kerry travels to Beijing. He meets President Xi Jinping and Gen. Fan Changlong, vice chairman of China's Central Military Commission.

May 19, 2015: US indicts six Chinese citizens on charges of stealing trade secrets.

May 19, 2015: In a *Wall Street Journal* interview, US Vice Chief of Naval Operations Michelle Howard calls on China to explain its land-reclamation work in the South China Sea and offers to support Southeast Asian countries if they choose to adopt a unified stance against Beijing.

May 20, 2015: Chinese Deputy Premier Wang Yang has a phone conversation with US Secretary of the Treasury Jacob Lew about the preparations for the upcoming S&ED.

May 20, 2015: In a speech at a conference in Jakarta, US Deputy Secretary of State Antony Blinken says that China's land reclamation in the South China Sea is "eroding regional trust and undermining investor confidence."

May 20, 2015: US Navy takes a *CNN* reporter onboard a *P8-A Poseidon* surveillance aircraft on a flight near several of China's artificial islands in the South China Sea.

May 21, 2015: US Senators John McCain and Jack Reed send letter to Defense Secretary Ashton Carter, urging him to "revoke" China's invitation to attend *RIMPAC 2016* and consider policy options that raise costs on China's "provocative actions" in the East and South China Seas.

May 26, 2015: China's Ministry of National Defense releases a white paper on China's military strategy, that explains the PLA's "active defense strategy" and emphasizes China's growing overseas interests and the need for China's military to protect those interests.

May 26, 2015: David Lipton, International Monetary Fund First deputy managing director, declares that China's currency is "no longer undervalued," marking a significant shift after more than a decade of criticism of Beijing's tight management of the renminbi.

May 29, 2015: US Special Representative for North Korea Policy Sung Kim says at a media briefing in Beijing that China agrees that "pressure" should be a part of its policy on North Korea, and the US believes that China is fully implementing sanctions on North Korea.

May 29, 2015: In an interview with *The Wall Street Journal*, China's Ambassador to the US Cui Tiankai defends China's recent expansion of reefs in the Spratly Islands and warns the US against "anti-China" alliances and a "Cold War mentality."

May 29-31, 2015: 2015 Shangri-La Dialogue is held in Singapore. Secretary of Defense Carter and China's Deputy Chief of Staff of PLA Adm. Sun Jianguo deliver speeches.

June 4, 2015: Obama administration reveals a breach into the Office of Personnel Management (OPM) and the Interior Department's computer systems.

June 8-12, 2015: 19th Round of US-China Bilateral Investment Treaty negotiations are held in Beijing. The two sides exchange negative lists, which outline sectors that are closed to investors.

June 8-14, 2015: Gen. Fan Changlong, vice chairman of China's Central Military Commission, travels to the US for an official visit.

June 9, 2015: Sen. Charles E. Schumer (D-N.Y.) and Sen. Lindsey O. Graham (R-S.C.) send a letter to urge International Monetary Fund Managing Director Christine Lagarde to deny China's effort to have the yuan recognized as a special reserve currency.

June 9, 2015: US Assistant Secretary of State for South and Central Asian Affairs Nisha Biswal hosts Chinese Vice Foreign Minister Cheng Guoping in Washington for a US-China Sub-Dialogue on Central Asia, one of several regional sub-dialogues under the US-China Strategic and Economic Dialogue (S&ED) framework.

June 12, 2015: US and China sign the Army-to-Army Dialogue Mechanism (AADM) at the National Defense University in Washington.

June 15, 2015: US-China Economic and Security Review Commission holds a hearing on Commercial Cyber Espionage and Barriers to Digital Trade in China.

June 17, 2015: US House Subcommittee on Asia and the Pacific holds a hearing on China's Rise: The Strategic Impact of its Economic and Military Growth.

June 19, 2015: At a ceremony for the 10th anniversary of the "Chunhui Cup" Innovation and Entrepreneurship Competition for Overseas Chinese Students in Pittsburgh, Chinese Vice Premier Liu Yandong calls for further exchange between young people in China and the US in the field of innovation and entrepreneurship.

June 20-July 1, 2015: PLA troops join Exercise *Khaan Quest*, a multinational ground forces peacekeeping drill hosted by Mongolia and US Pacific Command.

June 22, 2015: US Deputy Secretary of State Blinken co-hosts the fifth Strategic Security Dialogue (SSD) with China's Executive Vice Foreign Minister Zhang Yesui.

June 23-24, 2015: US Secretary of State John Kerry and Treasury Secretary Jacob Lew co-host seventh US-China Strategic and Economic Dialogue (S&ED) in Washington with China's State Councilor Yang Jiechi and Vice Premier Wang Yang. The sixth Consultation on People-to-People Exchange and the seventh US-China Women's Leadership Exchange and Dialogue are held concurrently.

June 25, 2015: US Department of State's Bureau of Democracy, Human Rights and Labor releases its annual country reports on human rights, including a report on human rights in China, Tibet, Hong Kong, and Macao in 2014.

June 26, 2015: In its annual rebuttal to US accusations of human rights violations by the US State Department, Beijing issues its own report and accuses the US of being "haunted by spreading guns" and racial discrimination.

July 2, 2015: China's Foreign Minister Wang Yi and Secretary of State Kerry meet on the sidelines of the Iran nuclear talks in Vienna.

July 3, 2015: US Interior Secretary Sally Jewell meets Vice Premier Wang Yang in Beijing to discuss efforts to crack down on illegal trading of wildlife and to enhance natural conservation.

July 6-9, 2015: Frank Rose, assistant secretary of state for arms control, verification and compliance, visits Beijing for meetings and external events related to space security, missile defense, arms control, and other bilateral and multilateral security topics.

July 7, 2015: Permanent Court of Arbitration in The Hague begins a hearing in response to China's claim that the tribunal has no jurisdiction to hear a legal challenge over territorial claims in the South China Sea.

July 8, 2015: US Senate Foreign Relations Committee holds a hearing on South China Sea defense activities.

July 9, 2015: US Department of State releases a statement condemning Thailand's forced deportation of over 100 ethnic Uighurs to China.

July 12, 2015: Department of State releases a statement expressing concern about China's new National Security Law being used to commit human rights abuses, and urging China to release all those who have recently been detained for seeking to protect the rights of Chinese citizens.

July 13, 2015: Department of State releases a statement expressing sadness over the death of Tenzin Delek Rinpoche, a Tibetan Buddhist leader who had been a political prisoner since 2002 and died in prison.

July 16, 2015: The US House Foreign Affairs Committee holds a hearing on the US-China Nuclear Cooperation Agreement.

July 17, 2015: Chinese Ministry of Commerce expresses serious concerns over US punitive duties on certain passenger vehicle and light truck tires from China.

July 18, 2015: US Pacific Fleet Commander Adm. Scott Swift joins a seven-hour surveillance flight over the South China Sea on board a *P-8A Poseidon* aircraft.

July 20, 2015: President Obama speaks to President Xi on the phone to express appreciation for the role China played in reaching a nuclear deal with Iran.

July 21, 2015: Assistant Secretary of State Russel delivers keynote speech at the Center for Strategic and International Studies' (CSIS) Fifth Annual South China Sea Conference in Washington DC.

July 23, 2015: US House Foreign Affairs Committee holds a hearing on America's security role in the South China Sea.

July 24, 2015: Adm. Harry Harris, commander of US Pacific Command, says China is militarizing its artificial islands in the South China Sea.

July 28, 2015: *USS Stethem* arrives at a naval base in Qingdao for a three-day official visit.

July 28, 2015: US Special Envoy for Six-Party Talks Sydney Seiler visits Beijing to meet Chinese Deputy Representative for Korean Peninsula Affairs Xiao Qian.

Aug. 4, 2015: Tina Kaidanow, coordinator for counterterrorism, and Vice Foreign Minister Cheng Guoping co-chair second China-US Counter-terrorism Consultation.

Aug. 5, 2015: Foreign Minister Wang Yi and Secretary Kerry meet in Kuala Lumpur on the sidelines of the ASEAN Regional Forum.

Aug. 11, 2015: Ten US senators write a letter to President Obama urging him to raise concerns about human rights and civil society in his upcoming meeting with Xi Jinping in September.

Aug. 11, 2015: Nineteen US business and technology industry groups write a letter to President Obama asking him to urge Beijing not to use cyber security measures to protect its domestic technology industry in his upcoming meeting with Xi Jinping.

Aug. 12-14, 2015: Zhang Zhijun, Director of the Taiwan Affairs Office of the State Council, meets Deputy Secretary of State Blinken, Assistant Secretary of State Daniel Russel, and Senior Director at the National Security Council for Asian Affairs Daniel Kritenbrink in Washington.

Aug. 13-14, 2015: Assistant Secretary for Democracy, Human Rights and Labor Tom Malinowski and Chinese Ministry of Foreign Affairs Department of International Organizations and Conferences Director General Li Junhua co-chair the 19th US-China Human Rights Dialogue in Washington.

Aug. 19, 2015: Chinese Assistant Foreign Minister Zheng Zeguang meets Chairman of the American Chamber of Commerce in China, James Zimmerman, to exchange views on US-China economic and trade cooperation.

Aug. 20, 2015: The US Department of Defense releases the Asia-Pacific Maritime Security Strategy as required by the National Defense Authorization Act of 2015.

Aug. 20-28, 2015: Ambassador-at-Large for International Religious Freedom David Saperstein visits China to discuss religious freedom with government officials, religious leaders, and civil society representatives, visiting Beijing, Shijiazhuang, Shanghai, Hangzhou, and Hong Kong.

Aug. 21, 2015: Treasury Secretary Lew speaks to Vice Premier Wang Yang via phone to discuss economic ties between the two countries.

Aug. 22, 2015: US Trade Representative Michael Froman meets Chinese Vice Premier Wang Yang in Beijing.

Aug. 24-28, 2015: US and China hold the 20th round of investment treaty talks in Beijing and focus on negative lists.

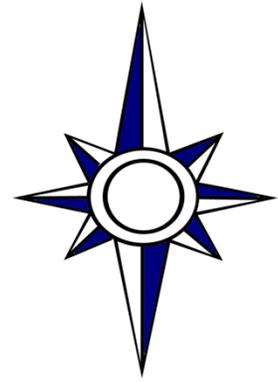
Aug. 25, 2015: Chief of Naval Operations Adm. Jonathan Greenert holds a video teleconference (VTC) with his Chinese counterpart, PLA Navy Commander Adm. Wu Shengli to introduce his replacement as CNO, Adm. John Richardson.

Aug. 27, 2015: Armies from China, Australia and the US begin Exercise *Kowari* in Darwin, Australia. The exercises will run through Sept. 14.

Aug. 28-29, 2015: National Security Adviser Susan Rice visits Beijing to finalize preparations for Chinese President Xi Jinping's visit to Washington in September.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



US-Korea Relations:

Witnessing Anniversaries and Crisis at the DMZ*

Stephen Noerper, The Korea Society

The summer months of 2015 saw the US and ROK mark the 65th anniversary of the start of the Korean War while the region commemorated the 70th anniversary of the end of World War II, which also marks Korean Liberation Day. The US and South Korea conducted annual military exercises mid-August amidst a flare up in inter-Korean tensions. North Korea backed down from a semi-war state and expressed regret over the landmine maiming of two ROK soldiers, as South Korea agreed to silence its speakers along the DMZ, and both agreed to talks aimed at family reunions.

US-ROK resolve and alliance management

The reporting period began with a visit to Washington by Hwang Joon-kook, the Republic of Korea's special representative for Korean Peninsula peace and security affairs. Hwang met US Special Representative for North Korea Policy Sung Kim to discuss denuclearization and the Six-Party Talks; he also met Assistant Secretary of the Treasury for Terrorist Financing Daniel Glaser to discuss DPRK sanctions. Two weeks later, US Secretary of State John Kerry and Korean Foreign Minister Yun Byung-se met in Korea to discuss developments on the peninsula and ways to enhance cooperation on global issues. The tenth meeting between the two highlighted concern about perceived instability in the DPRK (given reports of senior-level purges), policy coordination on North Korea, and combined deterrence. Both noted the 70th anniversary of Korean independence following World War II as having special meaning. Kerry highlighted his view that the improvement of regional bilateral relationships is critical to the US rebalance. Kerry also hailed diplomatic efforts involved in bringing together the Korean, Japanese, and Chinese foreign ministers mid-spring. Yun and Kerry indicated that the forthcoming meeting between Presidents Park Geun-hye and Barack Obama (rescheduled to October 2015) would serve, in Yun's words, as an "important milestone, opening a new horizon" for the alliance. Kerry, who also met President Park, hailed Korea's leadership on global issues; he cited ROK humanitarian assistance to Syria, as well as to Sierra Leone during the Ebola outbreak, and the ROK contribution to the Green Climate Fund and on broader global climate change issues. He also noted "deepening cooperation" in science and technology, space and cyber issues – which Kerry later addressed at Korea University.

In mid-June, Foreign Minister Yun, in turn, visited Washington, DC, meeting National Security Advisor Susan Rice, Deputy Secretary of State Tony Blinken, Undersecretary of State for Political Affairs Wendy Sherman, Assistant Secretary of State for Asian and Pacific Affairs

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Daniel Russel, Special Representative for North Korea Policy Sung Kim, Special Envoy for Six Party Talks Sydney Seiler, and National Security Council Director for Korea Allison Hooker.

On the military cooperation front, in early June at Uijeongbu the ROK and US announced the deployment of a Combined Division, consisting of a brigade from the US Second Infantry and one from the ROK Army. The unit marks the first of this type since the Combined Field Army command was disbanded in summer 1992. US Forces Korea (USFK) also published the *2015 Strategic Digest*, outlining principles of counter-missile operations to address the DPRK's asymmetric threat: acquiring, enhancing, implementing and executing counter missile operations. Also in early June, US Pacific Command Commander Adm. Harry Harris visited the ROK, meeting President Park, Minister of National Defense Han Min-koo, US Ambassador Mark Lippert, USFK Commander Gen. Curtis Scaparrotti, and Deputy Commander Lt. Gen. Terrence O'Shaughnessy. He also visited the ROK Navy's Second Fleet Command in Pyeongtaek, commemorating the loss of those killed aboard the *Cheonan* in 2010.

In late June and early July, US Special Envoy for North Korean Policy Sung Kim visited Seoul for discussions with counterpart Hwang Joon-kook and Deputy Foreign Minister Kim Hong-kyun. Kim also attended the Ministry of Unification's and Institute for Far Eastern Studies' Korean Global Forum 2015.

July saw a Seoul visit by US Assistant Secretary of State for Arms Control, Verification and Compliance Frank Rose for a discussion on nonproliferation, arms reductions, and space. Rose met ROK Foreign Ministry's Director General of North American Affairs Shin Jae-hyun and Director General of the International Organizations Department Yoo Dae-jong. Mid-month, Shin met USFK Deputy Commander O'Shaughnessy in a Status of Forces Agreement (SOFA) Joint Committee session to address the joint investigation into the April shipment of live anthrax spores to a USFK base. The ROK Defense Ministry's Director General for Policy Planning Maj. Gen. Chang Kyung-soo and US Marine Corps, Korea Commander Maj. Gen. Robert Hedelund also met on the anthrax incident as members of the Seoul-Washington Joint Working Group.

On July 19, US Pacific Fleet Commander Adm. Scott Swift began a three-day visit to the ROK for discussions with the Chairman of the ROK Joint Chiefs of Staff Adm. Choi Yoon-hee, Navy Chief of Staff Adm. Jung Ho-sup, and US Ambassador Mark Lippert. On July 27, US Special Envoy for the Six-Party Talks Sydney Seiler visited Seoul counterparts and suggested that the US would demonstrate flexibility in nuclear dialogue with the North in line with the Iran nuclear deal. He joined the next day in a US-Korea-Japan trilateral meeting in Tokyo with Director General for North Korean Nuclear Affairs Kim Gunn and Japanese Deputy Director General for Asian and Oceanian Affairs Takizaki Shigeki.

The ROK-US Combined Forces Command (CFC) conducted the annual *Ulchi Freedom Guardian* military exercises from Aug. 17-28. Described by USFK as "routine and defense-oriented," the joint maneuvers saw the participation of an additional seven UN Command Sending States – Australia, Canada, Colombia, Denmark, France, New Zealand, and the United Kingdom. USFK suggested the exercises "highlight the longstanding partnership, commitment and enduring friendship between the US and ROK, and help ensure stability and security on the Peninsula." DPRK state media offered its standard denunciations of the exercises, but a *Rodong*

Sinmun editorial on Aug. 20 – titled *Preemptive Attack, Our Choice Now* – ratcheted up its rhetoric by suggesting that the DPRK should adopt a strategy that would involve “hitting the enemy beforehand [nuclear attack] and mercilessly.”

DPRK threat

The DPRK conducted a submarine-launched ballistic missile (SLBM) test on May 9. Though its fleet of 70 Soviet-era submarines is aging, the DPRK activities raised concern. Jeffrey Lewis of the Middlebury Institute of International Studies [noted](#) that although DPRK submarines “are not especially effective, finding even a small number of specific submarines armed with missiles would be quite a challenge” for US and ROK planners. The successful test saw the missile travel only 150 meters, but probably indicates that the missile development program had progressed at a more rapid pace than analysts expected. The ROK Ministry of National Defense (MND) estimates that a fully operational submarine equipped with ballistic missiles might be realized in a two-to-three-year time frame. A May 11 *Joongang Ilbo* article termed North Korea’s SLBM deployment a “game changer.”

However US analysts generally cautioned against overestimating DPRK submarine capabilities. Nevertheless, in mid-May, Colorado Sen. Cory Gardner, chair of the Subcommittee on East Asia, the Pacific and International Cybersecurity Policy, announced a resolution recognizing the DPRK as a serious US national security threat and calling for more targeted sanctions on Pyongyang. Gardner cautioned against the US resuming negotiations without preconditions entailing a halt in nuclear and missile development and human rights abuses.

On May 20, Pyongyang announced a capability to miniaturize nuclear warheads, which is consistent with earlier US Department of Defense and senior analyst comments that the DPRK might have or be near such capability. On the heels of Secretary Kerry’s Seoul visit and possibly in response to US analysts downplaying the SLBM test, North Korea’s statement stoked further concern. In early June, the US State Department released its [2015 Report on Adherence to and Compliance with Arms Control, Nonproliferation and Disarmament Agreements and Commitments](#). The report acknowledged the likelihood of the DPRK’s having additional unidentified nuclear facilities – a State Department first. In mid-June, the DPRK resumed missile tests, firing three short-range *KN-01s* (120 km) off Wonsan into the East Sea. The next day DPRK leader Kim Jong Un was shown observing the test fire of anti-ship rockets, expressing “great satisfaction,” according to DPRK state media.

On July 22, the ROK press reported the DPRK’s completion of its Sohae Satellite Launching Station in Tongchangri, North Pyongan Province, bordering China. Johns Hopkins University’s *38 North* posted imagery showing a lengthening of the site launcher from 50 to 67 meters, which suggests an upgrade that will allow it to handle large rockets. Sohae reportedly serves as a long-range ballistic missile and space booster test facility. *38 North*’s imagery also showed a new support building and rail tunnel terminus.

The ROK and the US have responded to the DPRK nuclear and missile program activity with a variety of economic sanctions. On June 26, the ROK announced financial sanctions against half a dozen Syrian and Taiwanese individuals and entities engaged with the DPRK on weapons sales –

the first instance of the ROK imposing DPRK-related sanctions against non-North Koreans. In a June 23 letter to Congress, President Obama extended several executive orders that imposed sanctions on the DPRK between 2008 and 2015 (orders 13466, 13551, 13570, 13687). In early July, Senators Robert Menendez (D-NJ) and Lindsey Graham (R-SC) introduced Senate Resolution 1747 to improve the enforcement of sanctions against the government of North Korea. The bill calls for an enlargement of the administration's effort to sanction "property and seize funds of the people or organizations that provide support to the [DPRK] regime." The legislation also aims to increase humanitarian organization efforts "to provide life-saving assistance" to the peoples of the DPRK.

On July 21 the US Congressional Research Service released its report *North Korea: US Relations, Nuclear Diplomacy and Internal Situation*, stating North Korea "presents one of the most vexing and persistent problems in US foreign policy in the post-Cold War period." The report describes Kim Jong Un's two-track policy of *byungjin* – simultaneously pursuing economic development and nuclear weapons his harsh control tactics that include "brutally, carrying out large-scale purges of senior officials," and raises "critical questions" for the Obama administration given North Korea's "intransigence and stalled negotiations." The authors underscore, in addition to concerns over nuclear weapons development, the "host of other issues," including "Pyongyang's missile programs, conventional military forces, illicit activities and [the DPRK's] abysmal human rights record."

DMZ tensions

Escalation of the military confrontation along Demilitarized Zone (DMZ) was the focus of considerable attention in August. The problem began when two ROK soldiers on patrol in the DMZ were maimed by landmines that were determined to be from the DPRK and freshly laid. South Korea responded to what it considered a provocation by condemning the action and resuming loudspeaker broadcasts across the DMZ, for the first time in 11 years. North Korea responded by threatening to strike South Korea if an Aug. 22 deadline to stop the broadcasts was not met. On Aug. 20, North Korea reportedly fired four rockets toward ROK loudspeakers located in Yeoncheon, Gyeonggi Province. The ROK returned some nineteen shells in response, although the exchange apparently hit no known targets on either side.

The two sides entered into intensive high-level negotiations the evening of Aug. 22 shortly after the DPRK deadline had passed, with the ROK sending National Security Advisor Kim Kwan-jin and Minister of Unification Hong Yong-pyo and DPRK sending Vice Marshal Hwang Pyong So and longtime orchestrator of cross-border issues Kim Yang Gon. The marathon 43-hours of senior-level talks resulted in an agreement early (1 AM) on Aug. 25, with a commitment to continue the high-level dialogue channel, an expression of DPRK "regret" over the landmine injuries and a downgrading of its semi-war state, the silencing of ROK loudspeakers unless further provoked, and a September resumption of Red Cross talks aimed at *Chuseok* (harvest festival) family reunions, as well as civil society exchanges. The DPRK notably referred to the Republic of Korea (ROK) by name. Washington welcomed the inter-Korean agreement, with US State Department spokesman John Kirby stating that the US will "judge the North by its actions. It was a very tense several days."

MERS outbreak

An outbreak of Middle East Respiratory Syndrome (MERS) in South Korea impacted Korea-US relations most notably in the postponement of President Park Geun-hye's scheduled June visit to the US. The ROK identified its first case of MERS on May 20. On June 6, Seoul released the names of facilities where MERS patients visited or had been treated, earning criticism for the perceived delay in the public health response. The outbreak led to widespread public concern and some panic, the closing of schools, and an economic blow given a steep decline in consumer spending and tourism cancellations – reportedly some 100,000 visitors opted to stay away. Two days after the ROK's June 10 announcement of the postponement of President Park's visit to the US, President Obama offered condolences to MERS victims and families by telephone. On July 28, South Korea declared an end to the outbreak after 69 days, with 186 victims and three dozen recorded deaths.

Balancing China

Over the summer months, Korean analysts wrote increasingly about the positioning of Korea and US-Korea relations relative to developments with China. The Asan Forum's July 2015 South Korea Country Report provides a timely summary of strategic writings. Noting the Chinese Defense White Paper's strategy of "proactive defense" and US maritime exercises with the Philippines, a May 28 *Donga Ilbo* article urged more attention to the regional order rather than the DPRK threat. A *Hangyoreh* columnist on June 9 took a different approach, urging caution given Chinese aims at a strategic counterbalance to US military presence, including the US-ROK alliance, a potential showdown over Terminal/Theater High Altitude Area Defense (THAAD), and US Assistant Secretary of State for Asian and Pacific Affairs Daniel Russel's suggestion that Seoul "speak out" on South China Sea maritime issues. The author urged Seoul to refrain from choosing sides and to create a cooperative ambience between China and the US. A May 26 *Donga Ilbo* article argued that Seoul should forge a "bridge" between Washington and Beijing, rather than choosing "China on economy, [and the] US on security," checking its "diplomatic dilemma." *Joongang Ilbo* offered a June 1 piece on the "China paradox," referring to its neighbor's initiative to expand cooperation while increasing its threat; the author urged Seoul to join efforts like AIIB proactively and persuade the US to take a selective engagement approach.

Chronology of US-Korea Relations May – August 2015

May 5, 2015: Special Representatives Hwang Joon-kook and Sung Kim discuss the Six-Party Talks and denuclearization in Washington.

May 8, 2015: Google opens a start-up and entrepreneurs campus in Seoul. President Park Geun-hye expresses gratitude to Google for selecting Seoul for its first Asian campus.

May 11, 2015: ROK Defense Ministry identifies photographs of a May 9 DPRK missile launch from the sea as authentic and describes the DPRK's developing submarine-launched ballistic missiles (SLBMs) as "very serious and concerning."

May 15, 2015: Arbitration begins between the Korean government and US-based private equity fund Lone Star at the International Center for Settlement of Investment Disputes in Washington, DC – the first investor-state dispute filed under the KORUS Free Trade Agreement (FTA).

May 17-18, 2015: US Secretary of State John Kerry meets ROK President Park Geun-hye and Foreign Minister Yun Byung-se in advance of the US-ROK presidential summit, which was subsequently rescheduled to Oct. 2015.

May 18, 2015: United Nations Secretary General Ban Ki Moon begins a five-day visit to Korea, participating in the World Education Forum and meeting President Park, Foreign Minister Yun and National Assembly Speaker Chung Eui-hwa. North Korea rejects Ban's proposed visit to the Kaesong Industrial Complex.

May 19, 2015: US Senate Subcommittee Chairman on East Asia, Pacific and International Cybersecurity Policy Cory Gardner (R-CO) introduces a resolution recognizing the DPRK as a serious threat to US national security.

May 20, 2015: Pyongyang declares miniaturization capability, advancing US and ROK concerns about missile and nuclear development.

May 21-22, 2015: The New York City-based Korea Society hosts an expert session on *Unification and Alliance Support*, providing an update on Seoul's unification policy and encouraging greater US and Japanese cooperation.

May 27, 2015: Blue House announces June 14-17 visit by Park Geun-hye to Washington, DC and Houston. The Obama-Park meeting since has been rescheduled to mid-October 2015.

June 1, 2015: South Korean Trade Minister Yoon Sang-jick and Chinese Trade Minister Gao Hucheng sign a bilateral FTA, eliminating tariffs on more than 90 percent of traded goods over two decades and increasing bilateral trade to over \$300 billion per annum. Some US analysts see the move as an affront to the US-led Trans-Pacific Partnership initiative.

June 1, 2015: US notifies the ROK of the extension of the US Visa Waiver Program until March 2017, allowing Korean citizens to visit the US without obtaining a visa for 90 days.

June 5, 2015: US State Department releases report acknowledging possible unidentified nuclear facilities in the DPRK.

June 9-10, 2015: US Pacific Command Commander Adm. Harry Harris visits Seoul and meets President Park and other senior officials; he also visits the *Cheonan* memorial at Pyeongtaek.

June 10, 2015: President Park announces postponement of her June 14-17 visit to the US given the MERS outbreak. President Obama offers condolences in a phone conversation two days later.

June 14, 2015: DPRK launches three *KN-01* short-range (120 km) missiles in the East Sea off Wonsan.

June 15, 2015: North Korea test fires anti-ship rockets, with leader Kim Jong Un in attendance.

June 15, 2015: Foreign Minister Yun Byung-se and US Energy Secretary Ernest Moniz formally sign the revision of the 1974 Civil Nuclear Energy Cooperation Agreement, agreed to April 22

June 16, 2015: President Obama sends the new US-ROK Agreement for Civil Nuclear Cooperation to Congress for review for 90 days of the Hill session.

June 17, 2015: South Korea's Fair Trade Commission (FTC) announces investigation of Citi, JP Morgan, Bank of America and three UK lenders on possible collusion to manipulate foreign exchange rates. US and UK fined six banks \$5.6 billion in May for exchange rate manipulation.

June 21-24, 2015: US Strategic Command Commander Adm. Cecil Haney visits Seoul and meets ROK Defense Minister Han Min-koo and Joint Chiefs of Staff Choi Yun-hee.

June 23, 2015: President Obama sends a letter to Capitol Hill extending executive orders imposing sanctions on the DPRK.

June 23, 2015: UN Office of the High Commissioner for Human Rights (OHCHR) Zeid Ra'ad Al Hussein, alongside Foreign Minister Yun, formally opens Seoul office to monitor and document North Korean human rights abuses.

June 25, 2015: US and ROK mark the 65th anniversary of the start of the Korean War.

June 26, 2015: ROK Foreign Ministry announces sanctions against half a dozen Taiwanese and Syrian individuals and entities engaged in the DPRK weapons trade.

June 29, 2015: ROK signs Asian Infrastructure Investment Bank articles, becoming the fifth largest shareholder with a 3.81 percent stake and 3.5 percent voting bloc. Media reports US opposition to Korea's opting for the AIIB, but US officials voice support suggesting Korea will promote good governance and best practices.

June 29-July 1, 2015: US Special Envoy for North Korean Policy Sung Kim visits Korea, meeting Deputy Foreign Minister Kim Hong-kyun and Special Representative for Korean Peninsula Peace and Security Affairs Hwang Joon-kook.

June 30, 2015: Citing an increasing DPRK threat and budgetary constraints, the ROK Defense Ministry announces a delay in the reduction of active-duty personnel, reducing troop levels from 630,000 to 526,200 by 2030, rather than 2022.

July 9, 2015: Senators Lindsey Graham (R-SC) and Robert Menendez (D-NJ) introduce Senate Resolution 1747 to increase sanctions enforcement on and humanitarian organization efforts toward the DPRK.

July 9-10, 2015: US Assistant Secretary of State for Arms Control, Verification and Compliance Frank Rose meets the ROK Ministry of Foreign Affairs North American Affairs head Shin Jae-hyun and International Organizations Department head Yoo Dae-jong for discussion on arms reduction, nonproliferation, and space.

July 27-28, 2015: US Special Envoy for the Six-Party Talks Sydney Seiler meets in Seoul with ROK counterparts on North Korean denuclearization, as well as Director General for North Korean Nuclear Affairs Kim Gunn and Japanese Deputy Director General for Asian and Oceanian Affairs Takizaki Shigeki in a US-Korea-Japan trilateral session.

July 14-15, 2015: Seoul hosts a two-day meeting for officials and experts from the US, ROK, and Asia Pacific engaged in the Proliferation Security Initiative (PSI), which aims to curtail the illicit transfer of weapons of mass destruction (WMD) and related materials.

July 15, 2015: ROK Foreign Ministry's Director General of the North American Affairs Division Shin Jae-hyun and USFK Deputy Commander Lt. Gen. O'Shaughnessy address the delivery of live anthrax spores to a USFK base in April in a SOFA Joint Committee session. The Seoul-Washington Joint Working Group also discusses the joint investigation into the incident.

July 19-21, 2015: US Pacific Fleet Commander Adm. Scott Swift visits the ROK for meetings with ROK Joint Chiefs of Staff Chairman Adm. Choi Yoon-hee, ROK Navy Chief of Staff Adm. Jung Ho-sup, and US Ambassador Mark Lippert.

July 21, 2015: US Congressional Research Service (CRS) releases its report on *North Korea: US Relations, Nuclear Diplomacy and the Internal Situation*.

July 22, 2015: ROK media reports DPRK completion of its Sohae Satellite Launch Facility, designed as a long-range ballistic missile and space booster test facility, near the Chinese border.

July 29, 2015: US Senate Foreign Relations Committee Ranking Member Benjamin Cardin (D-MD) introduces Senate Joint Resolution 20 in support of the US-ROK Agreement for Civil Nuclear Cooperation.

Aug. 2, 2015: US House Foreign Affairs Committee Chairman Ed Royce (R-CA) and Representative Eliot Engel (D-NY) introduce House Joint Resolution 63 in support of the US-ROK Agreement for Civil Nuclear Cooperation.

Aug. 4, 2015: Two ROK soldiers maimed by DPRK landmines in the southern part of the DMZ.

Aug. 4, 2015: ROK Defense Agency for Technology and Quality announces deployment of the Chunmoo multiple launch rocket system (MLRS) near the DMZ, doubling the range of the Kooryong MLRS antecedents.

Aug. 5, 2015: North Korea announces it will set its clocks back one half hour beginning Aug. 15 as a marker of Liberation Day.

Aug. 5-8, 2015: Kim Dae Jung's widow, Lee Hee-ho, visits a DPRK hospital, orphanage and maternity clinic, but does not meet neither Kim Jong Un or senior DPRK officials.

Aug. 11, 2015: The ROK resumes loudspeaker broadcasts along the DMZ after an 11-year hiatus following the Aug. 4 maiming of two soldiers by DPRK landmines.

Aug. 12, 2015: US and ROK begin large-scale joint exercises at the ROK Army training camp at Pocheon, Gyeonggi Province. The live-fire exercises display combat readiness against DPRK provocations and last the month.

Aug. 15, 2015: South Korea marks 70th Anniversary of Korean Liberation Day following the end of World War II.

Aug. 17-28, 2015: US and ROK engage in annual *Ulchi Freedom Guardian* military exercises.

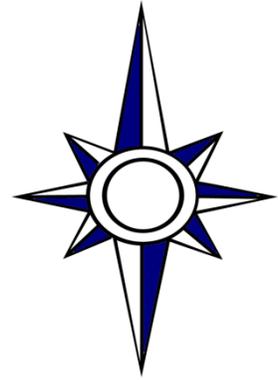
Aug. 20, 2015: DPRK and ROK exchange live-fire, with the KPA firing rockets in the direction of ROK loudspeakers, and the ROK responding with 155mm shells. The DPRK sets a 4PM Aug. 22 deadline for the ROK to silence the speakers.

Aug. 22, 2015: The ROK and DPRK begin negotiations to resolve tensions in the DMZ at 6PM, past the DPRK threatened deadline.

Aug. 25, 2015: ROK and DPRK reach a six-point agreement after an intense several days of negotiation. Washington describes the situation as a "very tense several days."

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



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US-Southeast Asia Relations: Courting Partners*

Senior State and Defense Department officials made several visits to Southeast Asia over the past four months, assuring their hosts that the US remained committed to a robust air and naval presence in the region, and assisting the littoral countries of the South China Sea in developing maritime security capacity. Washington is particularly focused on providing a rotational military force presence in Southeast Asia. On the South China Sea territorial disputes, US officials emphasized the need for peaceful approaches to conflict settlement among the claimants, pointing to arbitration and negotiation based on the 1982 UN Convention on the Law of the Sea. Washington has also accentuated the importance of security partners for burden-sharing, noting the potential for an enhanced role for Japan's Maritime Self-Defense Force in South China Sea patrols. Efforts to involve Southeast Asian states in negotiating the Trans-Pacific Partnership (TPP) have elicited candidates from only four of the 10 ASEAN states – Malaysia, Vietnam, Singapore, and Brunei. Others have problems meeting several requirements associated with the partnership.

US presence in Southeast Asia

Southeast Asian governments are generally convinced that the United States is committed to maintaining a significant naval and air presence in the region. However, they are less certain that the Obama administration has the ability to sustain its strategic focus on Asia. Leaders in the region are concerned that Washington is distracted by the conflicts in Middle East and South Asia as well as Eastern European appeals for a greater US presence to counter Russian actions in Ukraine. Added to these distractions is the fiscal sequester in the US defense budget that has constrained resources available for deployments and military assistance. To alleviate these concerns, officials have been reassuring ASEAN states that the US plans to enhance its presence and military assistance.

Over the past several months, a number of Defense and State Department luminaries have specifically stated that US deployments in the Asia-Pacific will ignore China's reclaimed shoals and reefs in the South China Sea as extensions of the PRC's territorial boundaries. In a keynote address on May 27 in Hawaii, Secretary of Defense Ashton Carter averred, "The United States will fly, sail, and operate wherever international law allows, as we do all around the world.... We will remain the principal security power in the Asia-Pacific for decades to come." Carter also

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noted that China's disrespect for international norms is counterproductive because it is leading other nations in the Pacific to turn toward the US as an alternative. These nations are "increasing [their] demand for American engagement...."

Secretary Carter went on to point out that over the past year Washington has initialed new security agreements with India, Australia, Japan, and the Philippines while also enhancing its security relationship with Vietnam. These partnerships focus on maritime security. Singapore is cited as a particularly important military partner that will host four US littoral combat ships (small frigates) by 2018 – the first permanent presence of US naval vessels in the South China Sea since the closing of Philippine bases in the early 1990s. Long-term plans include joint maritime patrols, more joint training, and the provision of compatible communication systems so that these partners will be able to interact not only with the US but also each other. Carter repeated these points at the annual Singapore Shangri-La Dialogue in early June.

Complementing Secretary Carter's statements, Assistant Secretary of State for Asian and Pacific Affairs Daniel Russel emphasized ASEAN's importance for a rules-based system in Southeast Asia at the July 21 CSIS Conference on the South China Sea, noting that US support for institutions such as ASEAN were backed by "our system of alliances and partnerships." Russel cited the importance of revising "the spirit of cooperation embodied in the 2002 Declaration of Conduct" under which ASEAN and China had agreed not to disrupt the status quo in the South China Sea as they moved forward to negotiate a code of conduct (COC). These latter negotiations have stalled, according to Russel, because China has violated the 2002 DOC by building new islets with reclaimed land. Finally, the assistant secretary reminded his audience that there are two "peaceful paths available to claimants" to deal with the South China Sea conflicts: "negotiation and arbitration" and that progress on either path depends on all claimants "clarify[ing] the scope of their claims in the South China Sea in accordance with the 1982 Law of the Sea Convention."

The Pentagon has also unveiled a new Asia-Pacific maritime security strategy that promises up to \$425 million for partner capacity building, though US sequestration limits may limit implementation. The Pentagon has suggested that US ships and aircraft may sail and fly within 12 miles of China's reclaimed land features in the South China Sea (though as far as this author knows that has not yet occurred). Philippine Armed Forces chief Gen. Gregorio Pio Catapang, in a May 14 interview said his country would welcome US military ships and aircraft around the disputed islands to assert freedom of navigation. Vietnam has been more circumspect about US activity around the disputed islands. One ex-official was quoted by Hanoi's *Tuoite-news* on May 15 saying that any deployments of US ships and aircraft moving through this area would become "a rather sensitive and very complicated issue...." The US should behave "prudently and responsibly for the sake of Southeast Asia and the world in general."

Canberra backed Washington at the Shangri-La Dialogue when Defense Minister Kevin Andrews stated that Australia had a strong interest in peace, stability, respect for international law, and freedom of navigation in the South China Sea. As a middle power Australian security depends on a rules-based international order.

The Philippines is the strongest Southeast Asian supporter of a robust US military role in the region, although critics in the Philippine Congress say that Washington has not done enough to build the country's defense capacity. Rolio Golez, chairman of the National Defense Committee in the Philippine House of Representatives, complained in mid-May that US military aid so far has been "mere scrap" – two Vietnam War-era coast guard cutters. Golez said Washington possesses mothballed fast frigates and multi-role fighter aircraft, which, if turned over to the Philippines, would "give us a modest defense upgrade overnight." US observers say, however, that the Philippines lacks the ability to maintain more modern ships and aircraft.

Both the Aquino administration and the US are awaiting a Philippine Supreme Court decision on the constitutionality of a 10-year defense agreement signed in April 2014 – the Enhanced Defense Cooperation Agreement (EDCA). EDCA would provide access to at least eight Philippine bases for US forces, including one on Palawan Island adjacent to the Spratlys and another at Subic Bay. The agreement would also permit the US to build facilities on these bases to store fuel and equipment for maritime security. The supplies could be shared with Philippine forces. The Philippine Supreme Court is expected to issue a ruling before President Obama's scheduled visit in November. The Aquino administration and the US government define EDCA as an executive agreement that does not require approval by the Philippine Congress. Critics counter that EDCA is a treaty, requiring legislative approval.

If EDCA is approved, Sen. John McCain, chair of the US Senate Armed Services Committee, has asked that most of the Pentagon's \$425 million appropriation for Southeast Asia's security buildup be earmarked for the Philippines. To complement these US plans, in mid-July, the Philippine armed forces stated that new fighter jets and its two frigates would also be stationed at Subic Bay. The new combat jets would include two *FA-50* light attack aircraft made by ROK's Korea Aerospace Industries. Manila has ordered a dozen of these jets.

Proposed solutions in the South China Sea

State and Defense Department officials have emphasized the need for rules and standards based on international law to ensure freedom of navigation and overflight in the South China Sea. In Congressional testimony on May 13, Assistant Secretary Russel noted the importance of negotiations as a way of resolving maritime territorial disputes, citing the successful negotiation between Indonesia and the Philippines over the boundary between their exclusive economic zones (EEZs). He also suggested the possibility of postponing resolution of the boundary disputes and agreeing on joint development of maritime resources. Such an understanding could be an important step toward the creation of a COC on the South China Sea. Russel urged all claimants to cease reclamation activities on the South China Sea features they occupy as these activities have harmed fragile ecosystems. He noted that while Southeast Asian claimants have built on their occupied islets, "the scale of China's reclamation vastly outstrips that of any other claimant.... China has dredged and now occupies nearly four times the total area of the other five claimants combined." Moreover, ASEAN claimants have stated that their South China Sea territorial claims derive from land claims consonant with the 1982 Law of the Sea, while Beijing "has yet to provide the international community with such a clarification...."

Senior US military officers have urged Southeast Asian countries to jointly patrol the waters around the Spratly Islands where conflicting claims exist. Coordinated patrols have existed for over a decade in the Straits of Malacca among Singapore, Malaysia, Indonesia, and Thailand (aircraft only for Bangkok). Although the US has not included China in its proposal, both Indonesian and Malaysian officials have said joint patrols are worth considering and that China's inclusion is "not an impossibility." This suggestion was first publicly broached at the Shangri-La Dialogue at the end of May.

US officials insist that China's creation of artificial islands does not constitute a legitimate claim to sovereignty. However, there may be some disagreement inside the US government on how best to demonstrate disagreement. At the end of July, *The Nelson Report* noted that the US National Security Council and the State Department may disagree with the Defense Department and Pacific Command over how best to demonstrate freedom of navigation and conduct aerial surveillance in these disputed waters. The US Navy proposes sailing its ships within 12 miles of the artificial islands, while the White House and State Department are reticent because of other important issues in US-China relations. DoD believes that if the US does not openly challenge China's claims for the new islets, Washington will be tacitly accepting China's *fait accompli*.

Enhanced relations with Vietnam

Over the past two years, the US and Vietnam have strengthened their ties: a comprehensive partnership in 2013, followed by a partial lifting of the US arms embargo in 2014, and in 2015, the signing of a [Joint Vision Statement](#). Currently, Raytheon is working on a radar project that would enhance Vietnam's maritime domain awareness. In a July 7 speech at CSIS, Nguyen Phu Trong, general secretary of Vietnam's Communist Party, said his country's military needs are "huge" and that this could lead to an expanded military partnership with the US. With 3,000 km of sea coast, Vietnam must increase its ability "to defend and safeguard our sovereignty and territorial integrity." Toward this end, Secretary Carter in early June offered \$18 million for fast patrol boats for Vietnam's Coast Guard.

Two-way trade in 2014 exceeded \$36 billion, and 16,500 Vietnamese students are now studying in the US. Nevertheless, a senior Vietnamese Ministry of Foreign Affairs official acknowledged in a [July 29 PacNet](#) that "frictions and disagreements continue in some areas, mainly in the field of democracy, human rights, and freedom of religion...." He urged that dialogue can "enhance mutual understanding and narrow differences" on the issues.

Public opinion in Vietnam supports closer relations with the United States. The Vietnam Academy of Social Sciences conducted a survey of over 300 people in Hanoi, Ho Chi Minh City, and Danang. Over 90 percent of those surveyed had a favorable view of the US and indicated they desired closer relations. The June Pew Global Attitudes survey corroborated these views with 78 percent of those polled also expressing a favorable view.

Human rights, however, remains the major sticking point in advancing relations to a new level. According to Carl Thayer's [July 6 article](#) in *The Diplomat*, Vietnam's defense minister called for a complete end to the US arms embargo and a decoupling of arms sales from human rights when Secretary Carter visited Hanoi. The prospect of this happening, however, is slim. A

bipartisan group of US congressmen wrote to President Obama in July asking him to send “a clear message to Hanoi authorities that respect for human rights is essential for a closer economic and security relationship.” The letter went on to call the human rights situation in Vietnam “deplorable.” In early August, in an address to business leaders and Vietnamese officials in Hanoi, Secretary of State John Kerry reiterated that human rights improvements would lead to deeper ties. Unsurprisingly, hardliners within Vietnam’s leadership oppose these demands, seeing them as thinly disguised efforts at regime change and reforms that would dilute the communist party’s political monopoly.

Japan raises its Southeast Asian profile

When the US speaks of the importance of partnerships for Asia-Pacific security, Japan is at the top of the list. Prime Minister Abe Shinzo has been trying to insert his country’s armed forces into regional exercises going back to his first administration in 2007 with the *Malabar* exercise of that year in the Indian Ocean involving the US, Japan, India, Australia, and Singapore. Subsequently, Tokyo has also provided the Philippines, Vietnam, and Indonesia with equipment to enhance their maritime defense capabilities. In February 2015, Japan’s Defense Minister Nakatani Gen spoke of the future possibility of Japanese ships joining US naval patrols in the South China Sea. In practice, however, Japan has made only modest contributions of a small number of patrol ships to Southeast Asian states under Tokyo’s Official Development Assistance (ODA) program.

While Prime Minister Abe has managed to push two controversial security bills through Japan’s Lower House of the Diet that would increase Japan’s ability to send troops overseas for “collective self-defense,” the public reaction to this legislation has been overwhelmingly negative. Commentators have claimed that the bills violate Japan’s pacifist constitution and that implementation could involve the country in distant US-led wars. At the Shangri-La Dialogue Abe tried to reassure his audience that Tokyo was primarily involved in building capacity of partner countries. Sailing with the US Navy in the South China Sea constituted “joint training” that emphasized domain awareness and the prevention of accidents at sea. Nevertheless, Japan’s top military commander in a July 16 speech in Washington reiterated that Japan was considering additional patrols in the South China Sea to balance a more assertive China in those waters. Thus, later this year, Japan will undertake joint drills with the US and Australia and will also participate once again in this year’s India-initiated *Malabar* exercise.

Of all Southeast Asian countries, Japan’s security relations with the Philippines are the most advanced. Because it is a close ally of the US, Japan is seen by Manila as an important security partner. Visiting Tokyo in June, President Benigno Aquino signed a contract to acquire 10 patrol vessels to be funded by the Japan International Cooperation System. In a joint declaration concluding Aquino’s visit, Japan condemned China’s land reclamation activity in the South China Sea. The Philippine president also announced that the two countries would start talks on a Status of Forces Agreement (SOFA) that could allow Japanese armed forces access to Philippine bases – the only country beside the US that might have such an arrangement, though there is also talk about a SOFA with Australia.

Under the agreement, Japan could also refuel ships and aircraft. A visiting forces agreement would give the Philippines access to training from Japan's highly developed maritime forces, repair services for the Philippine Navy and Coast Guard, and maritime reconnaissance data. All these become more important as the Philippines acquires additional Japanese equipment. In May and June, the Philippine and Japanese navies and coast guards conducted joint exercises in the South China Sea – the naval maneuvers were the first between the two since World War II.

Some Philippine legislators – both supporting and opposing the proposed visiting forces agreement – have called on President Aquino to submit any VFA with Japan to the Congress, arguing that any arrangement with Tokyo is comparable to the EDCA with Washington. Moreover, unlike the US, the Philippines has no mutual defense treaty with Japan – all the more reason for Congress to be consulted for its approval. Tokyo is increasing its security relations with other Southeast Asian countries as well. It signed a defense agreement with Indonesia in March, conducted joint naval exercises with Vietnam in April, and initialed a defense technology transfer agreement with Malaysia in late May. The latter agreement included the elevation of security ties to a “strategic partnership.”

Malaysia: strategic interests vs human rights

Generally regarded by Washington as an admirable example of a country that practices a moderate version of Islam, there is also a dark side to Malaysia's reputation – its involvement in human trafficking – more particularly, the thousands of Rohingya Muslims from Rakhine State in Myanmar that have been held in bondage in Malaysian jungle camps until they come up with enough money to pay traffickers who promised them jobs in Malaysia. In 2014, the US downgraded Malaysia to Tier 3, the lowest ranking in the US State Department's *Trafficking in Persons Report* because of poor anti-human trafficking practices, specifically apprehension and conviction rates of the traffickers. Human trafficking is not the only US complaint on human rights in Malaysia. Another is the March 2015 reconviction of Malaysian opposition leader, Anwar Ibrahim, on what are generally believed to be bogus sodomy charges. The White House has criticized the conviction as a setback to the country's democratic progress.

The low rating created a problem for the Obama administration with respect to the negotiations on the Trans-Pacific Partnership (TPP) Agreement – see below. In June, the US Congress passed a trade bill that stipulated fast-track trade deals, including the TPP, cannot be concluded with countries that have the worst rating in the human trafficking report. Soon thereafter Malaysia was upgraded to tier two based on the finding that the country has clamped down on illegal sites on Malaysia's northern border with Thailand. Malaysia's elevation to tier two removed the obstacle to its membership in the TPP agreement. The State Department decision has drawn sharp criticism from international human rights groups as well as public voices in the US and Malaysia. Malaysia has an estimated 2 million illegal migrant workers, many of whom labor in virtual slave-like conditions. Phil Robertson, deputy director of Human Rights Watch Asia, said he was “stunned” by the State Department upgrade. He urged the US Congress “to look long and hard” at this decision. Indeed, a bipartisan group of US congressmen on July 17 sent a letter to Secretary Kerry stating that there is “no reason – that would justify moving Malaysia” back to tier two. An Aug. 3 *Reuters* report on the upgrade noted that the government

office responsible for preparing the trafficking report recommended that Malaysia remain in tier three. It was overruled by the State Department leadership.

Over the past several decades, despite testy political relations between Kuala Lumpur and Washington, economic and military cooperation quietly improved based on Malaysia's belief that it was important to keep the US involved in Southeast Asia to balance China. In 2014, President Obama and Prime Minister Najib Razak upgraded bilateral ties to a comprehensive partnership. In May of this year, the marines of both countries engaged in a joint exercise.

Southeast Asian obstacles for the TPP

The US rebalance to Asia consists of three components: (1) the repositioning of 60 percent of US naval and air force deployments by 2020; (2) an emphasis on multilateral political cooperation through ASEAN-based institutions such as the ARF, ASEAN+, ADMM+, and the EAS; and (3) a new trade and investment arrangement that will bring together 40 percent of the world's economic activity – the TPP. This third component is experiencing a difficult birth, especially for its Southeast Asia members, many of which have protected production sectors such as automobiles in Malaysia or poor human and labor rights practices in Malaysia and Vietnam. These obstacles were not removed by the July meeting in Hawaii which was supposed to come up with a final document. The most innovative feature of the TPP is not cutting tariffs (most of them are already low after years of trade liberalization) but the setting of new rules for the global political economy. Putative rules in the TPP that allow investors to sue states if the latter violate the agreement and that protect intellectual property are welcomed by most economists but resisted in Southeast Asia as threatening local interests.

For some close partners of the US, bringing the TPP into operation is a vital interest. In mid-June Singapore's foreign minister feared that a failed TPP would remove US economic leadership from Asia, leaving only its military superiority. The US has stated that the TPP is open to expansion for other Asian states that are not a part of the original negotiations. As Deputy Secretary of State Antony Blinken said in a June 15 address to the US-ASEAN Business Council, "[T]his partnership is not, in any way, an attempt to isolate China.... This is not a zero-sum game." He went on to claim that the TPP and China's Asian Infrastructure Investment Bank (AIIB) "can be complementary ... and we'll look for opportunities for collaboration while continuing to champion high standards for multilateral financing."

Among the projected winners if the TPP is successfully concluded is Vietnam. The country is already Southeast Asia's largest exporter to the US, and that trade is expected to significantly accelerate with TPP. Nevertheless, in Vietnam, an obstacle to the agreement is Hanoi's refusal to provide for free and democratic labor unions. Another problem involves rule of origin for production. To be eligible for preferential treatment, a country's products may only use components from other TPP states. Vietnamese companies, however, frequently have parts that come from China, Laos, and Cambodia, none of which is currently a TPP candidate.

An alternative to TPP is the Regional Comprehensive Economic Partnership (RCEP) led by China and ASEAN. Unlike TPP which involves only four ASEAN states – Brunei, Singapore, Vietnam, and Malaysia –RCEP includes all 10 ASEAN members. Indonesia has stated that

RCEPs advantage over TPP is that the former ensures ASEAN centrality, which better supports the new ASEAN Economic Community scheduled to take effect at the end of 2015. Moreover, unlike the TPP, which insists on equal treatment for all members, the RCEP acknowledges that participating economies are at different stages of development and may require special treatment and even exceptions to some RCEP rules.

Thailand

Although Thailand maintains close relations with China, its armed forces have worked with their US counterparts for decades. The two conduct up to 50 joint exercises per year, including *Cooperation Afloat Readiness and Training (CARAT)* exercises for the navies and *COBRA GOLD*, the largest annual multilateral, multi-service exercise in Asia. In May, the Thai military government agreed to allow the US to use U-Tapao and Phuket airports as bases for US aircraft to monitor and rescue Rohingya refugees stranded in the Andaman Sea.

The Thai and US armed forces have reached a *modus operandi*; senior official defense dialogues have occurred since October 2012. A new joint vision statement was signed a month later, the first since the Rusk-Thanat agreement of 1962. Nevertheless, after the May 2014 coup, which brought the Thai military government into office, political relations between Washington and Bangkok have been strained. By US law, Washington has imposed sanctions on the Thai military government, while the latter insists that the armed forces are the legitimate guardian of Thai sovereignty and social stability.

In June, when the annual human rights report was issued by the State Department, arbitrary arrest and detention were criticized, and Thailand remained at the lowest level for human rights – tier three. The junta has banned public gatherings of more than five people, regularly cancels political and academic meetings, blocks websites, pulls satellite TV stations off the air, and has replaced many civilian courts with military tribunals – all in the name of national security. Thailand is the only ASEAN state to remain at tier three.

Myanmar

Washington is pleased that plans and procedures for Myanmar's forthcoming national election later this year appear to be on track and promise to offer the country's freest polls since 1990. Nevertheless, the Rohingya crisis over the past several months has created tensions in bilateral relations. Fleeing on the Andaman Sea in unseaworthy craft bound for Malaysia and Indonesia, thousands of Rohingya refugees are escaping a *de facto* pogrom. With US mediation among Myanmar, Indonesian, and Malaysia authorities in May, Jakarta and Kuala Lumpur announced they would temporarily provide a year's shelter for up to 8,000 migrants until they are either resettled in third countries or repatriated. Myanmar authorities do not recognize the Rohingya as citizens even though some have lived in the country's Rakhine State for generations. Rather, they are seen as illegal immigrants from Bangladesh by Myanmar's majority Buddhists. Thailand hosted a May 29 meeting in Bangkok to help resolve the problem. There, Washington offered to help finance international humanitarian aid for the refugees and indicated that the US is willing to accept some for permanent resettlement in addition to aiding other countries willing to accept Rohingya refugees.

The government of Myanmar, however, rejects UN assertions that the migration crisis is a result of Yangon's treatment, insisting that its treatment of the Rohingya is a domestic matter. More than 100,000 Rohingya are living in government-controlled camps, having been forced from their homes by mobs over the past three years. Those who have fled by boats to Malaysia, according to Kuala Lumpur, now number almost 150,000 registered asylum seekers.

Indonesia

Although not among the claimants to any of the disputed Spratly Islands, Indonesia is increasingly anxious about China's territorial claims in the South China Sea, which seem to include Natuna Islands and the Riau Archipelago. In July, Jakarta announced a plan to construct a new military base to guard these areas. The Indonesian Navy has also shown interest in more interoperability with the US Navy. In a mid-August *CARAT* exercise, for the first time an Indonesian Navy helicopter landed on an US littoral combat ship near Surabaya.

Looking ahead

For Southeast Asia, the US armed forces are promoting opportunities and locations for greater rotation of US military forces, more joint exercises, and the prepositioning of equipment and fuel. If the Philippine Supreme Court validates the EDCA later this year, an important link in the US rotation policy will be added that is particularly close to the disputed land features in the South China Sea. Troop rotation arrangements at this point exist with Australia, Singapore, and the Philippines. Additionally, the US Navy also exercises with Vietnam, Malaysia, Thailand, and Brunei through *CARAT* exercises. These activities are designed to demonstrate that the US presence in Southeast Asia remains robust and that Washington has no intention of abandoning the region's security despite US defense budget constraints and the demands of Eastern Europe, the Middle East, and Central Asia for US attention.

Chronology of US - Southeast Asian Relations May – August 2015

May 1, 2015: US rejects a tentative offer by a senior Chinese Navy officer to allow US forces to use South China Sea land features occupied by China for rescue and relief operations.

May 13, 2015: Assistant Secretary of Defense for Asian and Pacific Security Affairs David Shear in testimony before the Senate Foreign Relations Committee says US bomber and surveillance aircraft would be deployed to Australia.

May 14, 2015: Philippine Foreign Secretary Alberto Del Rosario in Washington asks the US for more help in resisting China's land reclamation efforts in the South China Sea.

May 15, 2015: Senior officials from all 10 ASEAN states meet senior US officials at the White House to discuss maritime security and China's reclamation activities in the Spratly Islands.

May 15, 2015: President Barack Obama notifies Congress he is renewing his authority to maintain sanctions against Myanmar for another year because of human rights abuses and ill treatment of the Rohingya minority in Rakhine state.

May 16, 2015: Chinese Foreign Minister Wang Yi meets visiting Secretary of State John Kerry and says China has no intention of scaling back island expansion activities in the Spratly Islands.

May 16-19, 2015: Deputy Secretary of State Antony Blinken visits Vietnam in advance of a visit to Washington by General Secretary of the Central Committee of the Communist Party of Vietnam Nguyen Phu Trong.

May 20, 2015: US Navy *P-8 Poseidon* surveillance aircraft flies over the region of the Spratly Islands. Chinese Navy repeatedly warns the aircraft to depart the airspace.

May 21, 2015: Assistant Secretary of State for Democracy and Human Rights Tom Malonowski says the US still has active sanctions against Myanmar for persecution of Muslim Rohingya.

May 21, 2015: Assistant Secretary of State for Asian and Pacific Affairs Daniel Russel, referring to a US P-8A *Poseidon* flight near Spratly islets that China, says that all countries have freedom of navigation and overflight in the South China Sea.

May 21-22, 2015: Deputy Secretary of State Blinken in Myanmar discusses the Rohingya boat exodus with President Thein Sein. US Embassy in Yangon issues a statement urging Myanmar to work with regional partners to deal with the crisis.

May 27, 2015: US Secretary of Defense Ashton Carter meets Philippine Secretary of National Defense Voltaire Gazmin in Hawaii, discussing security issues in the South China Sea and agreeing to hold a 2-plus-2 assistant secretary-level meeting as soon as possible.

May 30, 2015: At the annual Singapore Shangri-La dialogue, Defense Secretary Carter criticizes China's land reclamation in the Spratly Islands, particularly "the prospect of further militarization." He also announces the Southeast Asian Maritime Security Initiative to provide equipment and training to South China Sea littoral states.

May 31, 2015: Vietnam and the US sign a joint vision statement during Secretary Carter's visit to Hanoi.

June 1-2, 2015: Defense Secretary Carter meets Vietnamese Navy and Coast Guard officials in Hanoi and pledges \$18 million for Vietnam's purchase of US patrol craft to safeguard territorial waters. On June 2, the two countries sign a defense agreement.

June 3, 2015: In Jakarta, Anne Richards, assistant secretary of state for refugees, speaks on US contributions to relieve the plight of Rohingya boat people from Myanmar. She also praises the rescue efforts from Indonesia and Malaysia.

June 6-13, 2015: Assistant Secretary of State Russel visits Singapore and Malaysia in preparation for the upcoming ASEAN Regional Forum.

June 18-30, 2015: US and Philippines conduct their 21st annual *Cooperation Afloat Readiness and Training (CARAT) Philippines* military exercise.

June 22-26, 2015: Philippine and Japanese navy ships exercise together in the South China Sea, focusing on humanitarian assistance and disaster relief.

June 25, 2015: State Department's annual human rights report criticizes Thailand, Vietnam, and Myanmar.

July 2, 2015: ASEAN Secretariat announces during a meeting in Kuala Lumpur that the group will create a fund to aid regional countries that host the victims of human trafficking. US State Department and the UN High Commissioner for Refugees also participate in the meeting.

July 6-10 2015: Vietnam's Communist Party General Secretary Nguyen Phu Trong visits the US and meets President Obama. Their main topic of discussion is the Trans Pacific Partnership.

July 13-24, 2015: Singapore and US navies conduct bilateral *CARAT* exercise involving 1,400 personnel and several combat vessels.

July 16, 2015: In a Washington speech, Japan's top military commander Adm. Kawano Katsubashi states his country may conduct surveillance patrols in the South China Sea.

July 27-31, 2015: US and Vietnam conduct a joint peacekeeping workshop in Hanoi to help Vietnam establish a national peacekeeping center. Peacekeeping cooperation was agreed upon during the July visit General Secretary Ngyuen Phu Trong to Washington.

July 27, 2015: Annual State Department Human Trafficking Report places Thailand in the bottom tier because of child slavery in the fishing industry; Malaysia is promoted to the next highest category although human rights critics say there is no justification for its elevation.

Aug. 1-5, 2015: ASEAN-related foreign minister and post-ministerial meetings (48th ASEAN, 16th ASEAN+3, and fifth East Asia Summit) are held in Kuala Lumpur.

Aug. 4, 2015 Secretary of State Kerry speaks at the Singapore Management University acknowledging obstacles that led to the stalemate in the TPP negotiations in Maui but expressing the hope that they will be overcome in future meetings.

Aug. 4-10, 2015: US and Indonesia conduct *CARAT Indonesia 2015* exercise with over 1,000 US personnel.

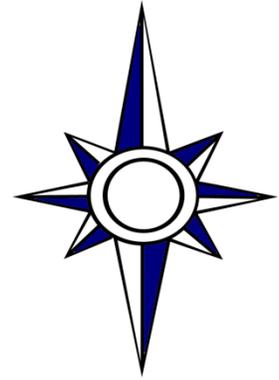
Aug. 6, 2015: ASEAN Regional Forum is held in Kuala Lumpur. Secretary Kerry attends and announces a \$4.3 million contribution to the Southeast Asian Fisheries Development Center for the creation of a system to document and trace illegal fishing in the region.

Aug. 8, 2015: In Vietnam to celebrate the 20th anniversary of the restoration of diplomatic relations, Secretary Kerry states that deeper ties depend on Hanoi's greater commitment to human rights and democratic values.

Aug. 17-21, 2015: US and Malaysia conduct *CARAT Malaysia 2015*, a joint military exercise.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Southeast Asia Relations:

Facing US-led Resistance in the South China Sea*

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Xi Jinping's government entered its third year registering significant gains in advancing control in the South China Sea. China's bold tactics involving massive dredging and rapid construction, shows of force through large military exercises, deployments of its Coast Guard fleet, and movement of massed fishing vessels and large oil rigs warned weaker neighbors of China's power and determination to have its way. Most recently, US Pacific Command's Adm. Harry Harris said that the dredging over the past 18 months rapidly created 3,000 acres of Chinese island territory, which is widely seen for military use and maritime control.

Apart from the Philippines and Vietnam, China's Southeast Asian neighbors have adopted a low posture on the advances. ASEAN has generally eschewed explicit criticism of China's behavior. Nevertheless, US rhetoric has become increasingly strident and it has deployed military forces in opposition to China's behavior, reaching a high point in tension over the summer. US allies Japan and Australia also took steps to counter the Chinese moves. Malaysia, this year's ASEAN chair, went against China in allowing a full discussion of the South China Sea disputes at the various ASEAN foreign ministerial meetings in August. Placed on the defensive and seeking to avoid further deterioration in relations with Southeast Asia and the United States, Beijing offered words of reassurance and conciliation, emphasizing common interests with ASEAN and the US in peaceful economic development and other areas. Such soft tactics have questionable credibility outside China; they have been tried in the past two years with little meaningful impact on China's determination to advance control in the South China Sea.

The United States, China, and rising tensions in the South China Sea

US criticism of Chinese island building at the turn of the year increased over the summer. This dynamic in the South China Sea represented the key determinant in China-Southeast Asia relations. Without the strength of the US and its recent public resolve, China-Southeast Asia relations would have been different. In particular, it would have been unlikely that Southeast Asian nations would have been able or willing to slow and deter China's expansion. As a result, the US-China dynamic in the South China Sea is briefly reviewed here as a key part of the context and a determinant of China-Southeast Asia relations.

A pattern of US criticism and Chinese response showed in President Barack Obama's now more frequent public criticisms of China. In late April, the president criticized Chinese coercion over

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maritime disputes, which, in turn, prompted criticism by China's Foreign Ministry spokesperson. A May 12 *Wall Street Journal* report said that Secretary of Defense Ashton Carter was considering options to send surveillance aircraft over Chinese controlled land features in the South China Sea and to send US Navy ships to within 12 nautical miles of reefs that have recently been built up as islands by China. This prompted an unusually sharp response by the Foreign Ministry based on no official US action and only on an unofficial media report.

In testimony before the Senate Foreign Relations Committee on May 13, Assistant Secretary of State for Asian and Pacific Affairs Daniel Russel cited Southeast Asian governments' worry over Chinese behavior in the South China Sea as supporting US determination to place the issue at the forefront of ASEAN-led multilateral forums. He noted the administration's push for ASEAN and China to conclude a code of conduct on the South China Sea disputes in time for the East Asia Summit (EAS) in November 2015. Secretary of State John Kerry's discussion of Chinese island building in meetings with the Chinese foreign and defense ministers in Beijing on May 16 prompted strong affirmations from the Chinese officials of Beijing's "unshakable" and "hard as a rock" determination to defend its maritime claims in the South China Sea.

China's Foreign Ministry spokesperson issued numerous statements beginning on May 20 condemning as provocative and dangerous a US reconnaissance flight carrying a *CNN* television crew that recorded and later broadcast a series of eight warnings by radio from Chinese military personnel as the plane neared Chinese-controlled reefs in the disputed South China Sea. The Defense Department said such flights were routine and would continue. Assistant Secretary Russel said the flight was "entirely appropriate" as an exercise of the US right to operate in international waters and airspace.

Secretary Carter bluntly affirmed in a speech in Hawaii on May 27 that such flights would continue, that China's approach to territorial disputes was out of step with regional norms, and that Southeast Asian and broader regional concerns over China's behavior increased the demand for US involvement in South China Sea matters. Truculent Chinese reaction to the speech included commentary in official Chinese media headlined "no one tells us what to do, Beijing says." Adding to tensions was an interview with a Chinese Foreign Ministry maritime boundary specialist released on May 27 reaffirming China's right to establish an Air Defense Identification Zone (ADIZ) in the South China Sea.

Secretary Carter used his May 30 speech at the Shangri-La Forum in Singapore to criticize China as out of step with regional norms, to affirm US determination to conduct freedom of navigation and overflight, and to press for a halt to land reclamation and the completion of a code of conduct between ASEAN and China regarding the South China Sea. The Chinese Foreign Ministry spokesman made a six-point rebuttal to Carter's speech. In his speech to the Forum, Chinese Adm. Sun Jianguo balanced his defense of China's maritime rights with words of reassurance about seeking peace and mutually beneficial economic development in pursuit of "common destiny" between China and its neighbors.

Sharp US-China rhetorical sparring over the South China Sea subsided a bit in the wake of the Chinese Foreign Ministry announcement on June 16 that the land reclamation efforts would be completed "in the upcoming days," and in the lead-up to the annual China-US Security and

Economic Dialogue meetings on June 22-24. Nevertheless, Deputy Secretary of State Tony Blinken in a speech in Washington on June 26 equated Chinese coercion in the South China Sea with Russia's behavior in Ukraine. Chinese Foreign Minister Wang Yi in a speech in Beijing on June 27 advised that any weakening of China's stance on the South China Sea by the current leaders would "shame" their ancestors.

July saw even less rhetorical sparring, but actions by both the US and China underlined prevailing tensions influencing China's relations with Southeast Asia. US Pacific Fleet Commander Adm. Scott Swift, visiting the Philippines, flew in a reconnaissance plane operating for seven hours over the South China Sea on July 18. More importantly, beginning on July 20, China conducted over 10 days its largest live-fire military exercise in the South China Sea involving more than 100 naval vessels and dozens of aircraft. Media coverage said the exercise showed the abilities of the Chinese forces in joint operations, defense against supersonic anti-ship missiles, and anti-submarine warfare. A Chinese admiral in *People's Daily* said the exercises included testing China's *DF-21* ballistic missile, which has been developed to sink large surface ships, notably US aircraft carriers.

ASEAN, multilateral meetings in Malaysia

Against this background of tension in the South China Sea featuring China and the US, ASEAN and Southeast Asian governments prepared for annual ASEAN-hosted meetings held in Kuala Lumpur in the first week of August. The meetings included the 48th ASEAN Foreign Ministers Meeting; the Post Ministerial Conference sessions with the the foreign ministers of ASEAN's dialogue partners, including Foreign Minister Wang Yi and Secretary of State Kerry; the fifth EAS Foreign Ministers Meeting; and the 22nd ASEAN Regional Forum (ARF).

Publicly emphasizing the positive in China-ASEAN relations, the Malaysian foreign minister announced on July 31 that ASEAN and China had agreed to proceed to the "next stage" in the prolonged negotiations toward the establishment of a code of conduct for the South China Sea. International media reports also said that ASEAN and China agreed to establish an emergency hotline for foreign ministers to communicate about the South China Sea; the intent is to use the hotline to deescalate hostile situations through immediate, high-level talks. Subsequently, Foreign Minister Wang Yi told the EAS foreign ministers and the ARF that progress in code of conduct talks over the last two years has seen the two sides adopt two lists of "commonalities" (presumably areas of common ground) and begin consultation on "crucial and complex issues" (presumably areas of important differences); and they have agreed to establish "two hotline platforms which will be up and running soon." He added that China took the initiative to propose "preventive measures on managing perils at sea," which he said are under discussion in the code of conduct talks.

At the outset of the meetings in Malaysia, Foreign Minister Wang and Vice Foreign Minister Liu Zhenmin argued against allowing a discussion of the South China Sea issues at the ASEAN-hosted meetings and they opposed countries apart from China and Southeast Asia being involved in such discussions. In contrast, the Malaysian hosts, including the prime minister and foreign minister, favored active discussion of South China Sea issues; and the communiqué following the 48th ASEAN Foreign Ministers Meeting on Aug. 4 registered the group's serious concern

with recent developments in the South China Sea, noting specifically “land reclamations” that have raised “tensions” and “undermined peace.” The subsequent meetings involved South China Sea issues and included other countries’ foreign ministers, with Secretary Kerry playing a prominent role. The secretary’s remarks at US meetings with ASEAN, the EAS Foreign Ministers Meeting, and the ARF focused on calls to halt land reclamation in the South China Sea and to conclude a code of conduct in 2015. He also reaffirmed US determination to pursue overflight and navigation in the South China Sea.

Foreign Minister Wang made three proposals at a press conference after he met with the ASEAN foreign ministers on Aug 5. The first initiative is that countries in the South China Sea pledge to implement the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC) in a comprehensive, effective, and complete way, accelerate consultations on formulating a code of conduct for the South China Sea, and actively discuss “precautionary measures for maritime risk management and control.” Second, countries outside the region pledge to support the above-mentioned efforts by countries in the region, and do not take actions that may cause tension and complexity in the region. Third, countries pledge to exercise and safeguard their freedom of navigation and overflight in the South China Sea in accordance with international law.

Wang also told the media at the ASEAN meetings that China’s land reclamation in the South China Sea had stopped. The Philippine Foreign Ministry spokesman said the reclamation stopped because China succeeded in forming the islands. China was seen at home and abroad as moving to a second phase of constructing facilities with military applications on the islands, which the Philippines, the United States, Australia, Japan, and other powers viewed as destabilizing.

Endeavoring to look beyond the negatives for China in disputes with Southeast Asian nations over the South China Sea, Foreign Minister Wang stressed common interest in peaceful economic cooperation of mutual benefit. He put forward 10 new proposals on further deepening China-ASEAN cooperation, including boosting regional connectivity and cooperating in industrial production. As reported by official Chinese media, Wang, during meetings of the ARF and EAS foreign ministers, rebuffed US calls for a halt in Chinese (and other claimants’) construction activities, rebuked Japan for its criticism of Chinese island building, and focused on rejoinders to the Philippines’ criticisms of China’s South China Sea policies and practices.

Fracious Philippines-China relations

There has been no improvement in the overall poor relations between the Philippines and China going back to the Chinese takeover of Scarborough Shoal in 2012. Acrimonious exchanges between the foreign ministries and other senior officials over disputes in the South China Sea characterize relations. On May 5, the Chinese Foreign Ministry spokesman provided a detailed rebuttal to charges made by a Philippines Foreign Ministry spokesman that China’s island construction in the disputed South China Sea violated the DOC reached by China and ASEAN in 2002. The Chinese complaint said the Philippines was the violator of commitments, notably refusing to follow through with an alleged promise to remove its grounded ship on Second Thomas Shoal. The Philippines was also accused of violating the DOC by initiating an arbitration case with the International Permanent Court of Arbitration challenging China’s South China Sea claims.

Prior to the widely publicized incident where the US reconnaissance plane was warned away by radio messages from Chinese military personnel when approaching a Chinese-occupied island in the South China Sea on May 20, a Philippine admiral said on May 7 that Philippine patrol planes had been warned away by radio at least six times by Chinese personnel near disputed islands. China's Foreign Ministry replied to the Philippine complaint that the warnings were within China's rights. China complained when the Philippines military chief Gen. Gergorio Pio Catapang flew on May 11 with a delegation including journalists to the Philippine occupied but China claimed Thitu Island (Philippines: Pag-asa, China: Zhongye).

In early June, President Benigno Aquino visited Japan where advances in closer relations included the start of discussions leading to a status of forces agreement that would allow Japanese forces to use the Philippines in conducting operations in the South China Sea. While in Japan, Aquino revived his earlier charge that Chinese advances in the South China Sea mimicked those of Nazi Germany as it encroached on neighboring countries prior to World War II; the Chinese Foreign Ministry spokesman responded sharply.

Later that month, Philippines and US forces held a week of exercises near the South China Sea, and Philippines and Japanese military forces concurrently held exercises in the South China Sea. Official Chinese commentary rebuked such actions as "playing with fire."

The Philippines foreign minister made a presentation before the five-member tribunal hearing Manila's case against China's South China Sea claims at the Permanent Court of Arbitration in The Hague. The hearing went from July 7 to 13. Representatives from Indonesia, Japan, Malaysia, Thailand, and Vietnam were present. A ruling from the tribunal on jurisdiction was expected in 90 days. China's Foreign Ministry spokesperson reaffirmed Beijing's unwillingness to participate in the proceedings.

A Philippine Navy spokesperson said on July 15 that the Philippines was making repairs on the rusting World War II ship that was intentionally ran aground on Second Thomas Shoal in 1999. China's Foreign Ministry spokesperson strongly protested the action. In 2014, Chinese vessels blocked resupply to the small contingent (about 10) of Philippine military personnel stationed on the ship. On May 10, 2015, a Philippine lawmaker said that he had information that a Chinese Coast Guard ship for the previous month had "dropped anchor" near the Philippine forces on Second Thomas Shoal; he viewed this Chinese presence as a "serious threat" to the outpost. The Philippine defense secretary told the media on Aug. 26 that Manila had asked the US to provide air surveillance for Philippine ships bringing supplies to Second Thomas Shoal in the face of Chinese intimidation. He said such flights had deterred Chinese efforts to block Philippine resupply missions in the recent past.

At the ARF and EAS Foreign Ministers Meeting in Kuala Lumpur in August, Foreign Minister Wang devoted the bulk of his critical comments to the Philippines, according to official Chinese media. He reviewed Chinese opposition to the Philippine case at the Permanent Court of Arbitration and China's criticism of Philippine actions on disputed Second Thomas Shoal – both seen to violate the DOC, according to Beijing. He underlined China's case that the Philippine claim to Scarborough Shoal, occupied by Chinese Coast Guard forces since 2012, is contradicted

by international treaties defining the country's boundary to the east of the shoal. Wang looked to the future, presumably with an eye toward the replacement of the remarkably anti-China stance of President Aquino with a new president in May 2016 elections. He appealed to "the people of the Philippines" not to be "held hostage by a tiny number of individuals," but to pursue a path of improved relations with China.

Vietnam maneuvers between China and the United States

Sino-Vietnamese relations are still recovering from the crisis caused by China's abrupt deployment in May 2014 of the *HD-981* oil rig and an armada of protecting coast guard, naval, and fishing vessels in waters claimed by Vietnam, which resulted in mass anti-China violence in Vietnam. Such Chinese assertiveness has been widely seen to increase incentives for Vietnam and the US to defer differences and develop common approaches in dealing with China.

Partly to head off such US-Vietnamese cooperation, China has sought to deepen economic and infrastructure ties with Vietnam, thereby increasing Vietnam's dependence on China. During a visit to China in April by Vietnam's Communist Party chief Nguyen Phu Trong, Beijing offered a large package of projects that would further integrate Vietnam with China's economy. In May, China also initiated an unprecedented meeting of the Chinese and Vietnamese defense ministers along their mutual land border. According to *Xinhua*, the Chinese and Vietnamese delegates to the Shangri-La Forum met on May 29 to discuss the South China Sea. In apparent reference to the US, Japan, and other countries improving relations with Hanoi, the Chinese delegate advised that Hanoi "should have a clear understanding about the motives of countries outside the region trying to meddle in the issue." In June, Vietnam's Deputy Prime Minister and Foreign Minister Pham Binh Minh met Premier Li Keqiang in Beijing amid reports of greater Sino-Vietnamese economic cooperation.

At the same time, Chinese hard tactics continue, notably the massive island building in areas of the South China Sea claimed by Vietnam and the entry in June of *HD-981* into waters south of Hainan Island. The rig was placed in an area claimed by Vietnam, though it was on the Chinese side of any median line likely to be determined between the two nations. Vietnam also protested China's annual fishing ban in the South China Sea and episodes of alleged harsh treatment of Vietnamese fishermen by China's Coast Guard.

Against this background, Vietnam welcomed Defense Secretary Carter for a widely publicized visit in June, resulting in a vision statement deepening defense cooperation. Communist Party chief Trong, the most powerful Vietnamese leader, made his first visit to Washington, meeting President Obama on July 7 and issuing a joint vision statement forecasting closer relations. Trong told a Washington think tank audience that his country's security needs were "huge" and likely to lead to expanded military cooperation with the United States. Probably no coincidence, during the following week Chinese Deputy Prime Minister and Politburo Standing Committee member Zhang Gaoli visited Hanoi to consolidate infrastructure, economic zones, highways, and other proposed economic projects. Meanwhile, Vietnam and Japan advanced their common ground during Deputy Prime Minister and Foreign Minister Pham Binh Minh's late July visit to Japan. Pham met Prime Minister Abe Shinzo and Foreign Minister Kishida Fumio, praised the

Vietnamese-Japanese strategic partnership as at “the highest level ever,” had in-depth talks on South China Sea issues, and discussed yen loans and infrastructure development.

Roles of Japan, Australia, and India

Chinese commentaries saw China facing opposition not just from the US and some Southeast Asian countries as international attention to the disputes over China’s island building in the South China Sea grew. They noted G-7 opposition and particularly the role of Japan, as well as moves by Australia and India as being adverse to Chinese interests. Some saw China unjustifiably “besieged” by foreign forces working with the US to prevent China from advancing its claims and attaining greater control and maritime dominance in the South China Sea.

Significant Japanese actions in this reporting period included two Japanese destroyers visiting the Philippines for their first bilateral naval exercise since World War II. The Japanese defense minister previewed his remarks at the Shangri-La Forum with a media interview on May 27 asserting that despite China’s stated opposition Japan was considering sending Self-Defense Forces to the South China Sea to monitor Chinese island building in cooperation with the US. In early June, *Xinhua* and the Foreign Ministry spokesperson attacked Japan for encouraging the G-7 countries to criticize China’s island building and “maliciously creating tensions in the South China Sea.” On June 18, Japanese Chief Cabinet Secretary Suga Yoshihide took aim at Chinese island building and asserted that Japan does not accept Beijing’s unilateral actions to change the status quo, prompting a rebuke from China’s Foreign Ministry spokesperson.

On June 23, a Japanese military reconnaissance plane landed at a remote Philippines base along the South China Sea, welcomed aboard three Philippines naval officers and conducted surveillance in nearby waters. The exercise was criticized by the Chinese Foreign Ministry. Speaking in Washington on July 30, the commander of Japan’s Maritime Self-Defense Forces warned of the South China Sea coming under China’s dominance and argued that US allies must enhance their power and “synchronize” with the US. Along these lines, a small contingent of Japanese infantry was embedded with the US 31st Marine Expeditionary Unit and deployed to Australia to participate in the large (over 30,000 troops) annual US-Australian Exercise *Talisman Sabre* during July.

Also in July, Prime Minister Abe welcomed government leaders of Cambodia, Laos, Myanmar, Thailand, and Vietnam for a summit of Mekong nations in Tokyo. They agreed on a document outlining their new cooperation strategy that contained language expressing concern over recent developments in the South China Sea. Japan pledged \$6.1 billion in aid to the countries over the next three years. The pledge represented a 20 percent increase over the \$4.9 billion in aid Japan pledged to these countries at the previous Mekong summit three years ago. The new funds came from Abe’s Asian investment initiative announced in May to provide \$110 billion to promote “quality infrastructure” in Asia over the next five years. That Japanese move was seen as competing with China’s recent promises of funding for Asian infrastructure. The Chinese Foreign Ministry spokesman responding to a question on the Tokyo summit’s expressed concern over the South China Sea with a rebuke of Tokyo’s involvement with the South China Sea issue.

At the foreign ministers meetings in Kuala Lumpur in August, Foreign Minister Wang accused Japan of hypocrisy in criticizing Chinese island building in the South China Sea while Japan has gone through the very expensive process of converting the “Rock of Okinotori” into a “man-made island” in order to expand the size of Japan’s claimed exclusive economic zone. After those meetings, official Chinese media reported that Japan was preparing to provide the Philippines with three surveillance aircraft along with training and maintenance. Media queries to the Chinese foreign and defense ministries elicited vague and noncommittal statements, urging “relevant countries” not to take actions against regional peace and stability.

Though Chinese official media commentary tended to avoid criticism of Australia, the Australian government repeatedly stood against China’s actions in the South China Sea and engaged in military actions and diplomacy concerned with implications of Chinese expansion. Australia’s foreign minister told the media on May 11 that China should not create an ADIZ in the South China Sea. In a speech on May 27, Australia’s defense secretary warned against the implications of China’s rapid construction of artificial islands in the South China Sea leading to military tensions and miscalculation.

On May 31, the Australian defense minister said that Australia is not concerned about possible Chinese objections to reconnaissance flights over disputed waters and that Australia would continue to fly long-range patrols over the South China Sea. The remarks came as *The Wall Street Journal* reported that the US and Australia were discussing the possibility of Australia joining the US in joint patrols and so-called freedom of navigation operations in and over waters China considers its own but which Australia and the US view as international waters. The Australian defense minister joined his US and Japanese counterparts in a meeting during the Shangri-La Forum on May 31 that issued a joint statement expressing strong concern over China’s land reclamation in the South China Sea.

Bringing India into the complicated calculus of contingencies prompted by Chinese expansion in the South China Sea, the Australian foreign affairs department chief told media in India on June 9 that China’s activities in the South China Sea had been a topic in meetings with his Indian and Japanese counterparts in New Delhi. He advised that the cooperation among the three powers is not directed at another power and that Australia did not have an anti-China position. Meanwhile, *Reuters* on July 22 reported that Indian, Japanese, and US officials met at a US base in Japan to discuss the annual *Malibar* exercises planned for October. China at times in the past has reacted strongly against the annual exercise, notably in 2007 when aircraft carrier battle groups from the US and India were joined by forces from Australia, Japan, and Singapore in carrying out large scale exercises in the Bay of Bengal near the opening of the Malacca Strait. Subsequent exercises were more modest and took place in areas less sensitive to China. Last year’s exercise involved the US, India, and Japan; it took place in waters near Japan and saw Indian participation limited to two warships and a tanker.

China-Myanmar developments

China-Myanmar relations saw a number of interesting developments, chief among which was Aung San Suu Kyi’s visit to Beijing in early June. President Xi Jinping indicated that Beijing is keen to reach out to and strengthen ties with the National League for Democracy (NLD).

Recognizing that the NLD is poised to gain a notable majority in the upcoming national elections this fall, Xi expressed hopes that “the Myanmar side will maintain a consistent stance on China-Myanmar relationship and be committed to advancing friendly ties, no matter how its domestic situation changes.”

Aung San Suu Kyi’s Beijing visit attracted significant attention from the international community. In spite of her longstanding defiance of authoritarian military regimes, she did not press the Chinese government to release fellow Nobel Peace laureate Liu Xiabo. Instead, Aung Sun Suu Kyi took the opportunity of her first visit to China to demonstrate her and the NLD’s political and diplomatic credentials. She reassured her hosts that the NLD attaches great importance to the historical friendship between Myanmar and China and that it hoped to further strengthen party-to-party relations with the visit.

The visit comes at a critical moment in bilateral relations. Official relations between Beijing and Nay Pyi Taw saw growing tensions with border incidents in March that killed four Chinese nationals in Yunnan Province. Bombs dropped by Myanmar government aircraft landed in Chinese territory during clashes between the Myanmar government and ethnic militant groups. The Myanmar government issued an apology and subsequently removed a senior air force official in response to the bombing incident. The Chinese government has since increased border patrols and held live-ammunition exercises.

In July, a court in northern Myanmar sentenced 153 Chinese nationals to life in prison for illegal logging in Myanmar’s Kachin state. China lodged formal protests over the severity of the sentences, with its Foreign Ministry asking Myanmar to “consider the actual situation of those loggers and deal with the matter in a lawful, reasonable and sensible way.” It was subsequently reported that Myanmar rescinded the sentence and granted amnesty to the 153 Chinese nationals.

Outlook

The Xi Jinping government endeavored to play down South China Sea frictions in the latter months of 2013 and in the same period in 2014. Such a pattern could hold in 2015 given the importance the Xi government gives to the September summit with President Obama and the meetings with Asia-Pacific leaders at the APEC Economic Leaders Meeting in the Philippines and the East Asian Summit in Malaysia in November. The episodes of moderation in the past two years did not last long. Today, China continues to face serious domestic problems but it also remains determined to advance control over disputed territory; and the US – supported by regional allies and other countries in Southeast Asia – stands against Chinese coercive expansion at its neighbors’ expense. Against this background, forecasts of increased tensions over the South China Sea may be more likely. Rapid Chinese militarization of South China Sea outposts and declaration of an ADIZ in the South China Sea are among Chinese initiatives that could raise tensions. The US or its allies could raise tensions with more intrusive freedom of navigation patrols or overflights of territory China sees as its own.

Chronology of China-Southeast Asia Relations May – August 2015

May 7, 2015: China and Thailand pledge to increase cooperation in railway construction, law enforcement, and tourism as the two sides celebrate the 40th anniversary of the establishment of official ties.

May 15, 2015: Chinese Ministry of Foreign Affairs lodges formal protests to the Myanmar government as two new incidents of shelling attacks injure Chinese civilians residing in the border city of Lincang, Yunnan Province. The Myanmar government puts the blame on the Kokang ethnic army for this latest round of border shelling attacks.

May 18, 2015: Xu Qiliang, vice chairman of China's Central Military Commission (CMC), meets Malaysian Defense Ministry Secretary General Abdul Rahim in Beijing for the second round of the China-Malaysia Defense and Security Consultation.

May 21, 2015: Chinese Ministry of Foreign Affairs raises concerns with Indonesia over reports of Jakarta's blowing up and sinking Chinese fishing boats suspected of illegal fishing.

May 26, 2015: ASEAN Regional Forum (ARF) *Disaster Relief Exercises (DiREx) 2015* convenes in Malaysia and is co-chaired by Beijing and Kuala Lumpur. The discussion focuses on regional coordination and cooperation on disaster relief mechanisms.

May 27-31, 2015: Chinese Vice Premier Liu Yandong visits Indonesia and meets President Joko Widodo and attends the second China-Southeast Asia High-Level People-to-People Dialogue.

June 11, 2015: Chinese President Xi Jinping meets Myanmar's National League for Democracy chairperson Aung San Suu Kyi in Beijing. They agree to forge stronger party-to-party ties.

June 13, 2015: Third round of the China-Southeast Asia Expo convenes in Kunming with regional leaders agreeing to strengthen regional cooperation in agriculture, energy, infrastructure linkages, and people-to-people exchanges.

June 25, 2015: China National Offshore Oil Corporation (CNOOC) places *Haiyang Shiyou 981* oil rig platform off the coast of Hainan but within the Chinese side of the median line between China and Vietnam.

June 29, 2015: The Philippines, Malaysia, and Thailand express their interest in the China-led Asian Infrastructure Investment Bank (AIIB) but decide against signing the bank's founding articles of agreement at the launch ceremony of the new bank in Beijing. Singapore pledges to contribute \$250 million to the bank and is committed to being a founding member of AIIB.

July 9, 2015: Senior Chinese and Cambodian defense officials meet in Beijing and agree to improve high-level military contacts and to deepen bilateral and multilateral security cooperation in tackling regional non-traditional security issues.

July 9, 2015: Thai officials agree to repatriate 109 illegal Uighur immigrants to China. Chinese Ministry of Public Security had earlier identified and implicated the illegal immigrants' alleged involvement in terrorist and other illegal activities such as human trafficking.

July 16, 2015: Chinese Vice Premier Zhang Gaoli visits Hanoi and meets senior officials. The two sides discuss the prospects of carrying out a joint survey of the Beibu/Tonkin Gulf to develop economic cooperation in the region.

July 7-13, 2015: The Permanent Court of Arbitration in The Hague holds its hearings on the South China Sea. Representatives from Manila put forward the case against Beijing's claims. Beijing reiterates it will not participate in the case nor send representatives to the tribunal.

July 29, 2015: Ninth China-ASEAN senior officials meeting on the implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) is held in Tianjin to discuss a code of conduct (COC) in the South China Sea.

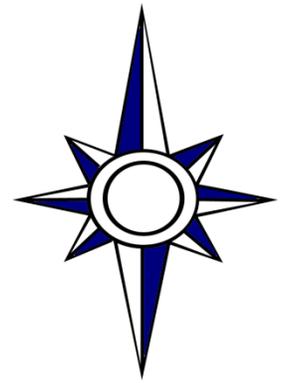
July 31, 2015: China and Southeast Asian nations agree to set up a foreign ministers' hotline to address emergencies, avoid accidents and miscalculations in the South China Sea. The regional hotline will be the first involving China. Manila and Hanoi established a naval hotline in 2014 to monitor ongoing events in the South China Sea.

Aug. 4-7, 2015: Regional leaders convene in Kuala Lumpur to take part in a series of ASEAN-related foreign ministers meetings and the ASEAN Regional Forum. Malaysia Prime Minister Najib Razak, as host of the meetings, underscores ASEAN's importance in playing a more central and active role in managing the South China Sea disputes.

Aug. 10, 2015: Chinese and Vietnamese military officials meet in Hanoi for the eighth round of Defense and Security Consultations. They agree to strengthen border exchanges, deepen multilateral security cooperation, and manage differences through consultation.

Aug. 17, 2015: A bomb explodes in central Bangkok, claiming 20 victims (including 2 Chinese), and injuring 123 bystanders. More than two-dozen countries, including China, issue travel advisories warning citizens against visiting Thailand as a result of the bombing incident.

August 24, 2015: China's National Narcotics Control Commission and the Indonesian Narcotics Agency announce plans to increase bilateral cooperation to combat drug trafficking, including sharing of information to detect and prevent illicit drug production and distribution in the region.



**China-Taiwan Relations:
KMT Disarray Shapes Campaign**

**David G. Brown, Johns Hopkins School of Advanced International Studies
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The Kuomintang (KMT) Party's mismanagement of the selection of its presidential candidate has left the party in disarray and increased the prospect that Democratic Progressive Party (DPP) candidate Tsai Ing-wen will win the presidency along with a majority in the Legislative Yuan (LY) elections. Faced with the prospect of DPP victories, Beijing has sent mixed messages to Taiwan, while voicing its confidence in preserving the accomplishments of the peaceful development policy for the long-term. Against this background, the Ma administration and Beijing have struggled to keep cross-strait relations moving forward.

Taiwan presidential campaign

Candidates for the Jan. 16 presidential election are positioning themselves and describing their approaches to China mostly in broad terms with few specifics. Cross-strait relations are not the most pressing challenge facing Taiwan – that would be economic revitalization and adjustment – but as always it is an overarching theme that colors almost all other issues. At this writing, there are three candidates: Hung Hsiu-chu of the KMT, Tsai Ing-wen of the DPP, and James Soong Chu-yu of the People First Party (PFP). However, on Sept. 2, in further evidence of KMT disarray, Hung announced that she is temporarily suspending her daily campaign activities.

Hung Hsiu-chu

KMT Chairman Eric Chu Li-lun has said repeatedly since January that he would not run for president. Instead, he devised a KMT primary process with a 30 percent threshold to qualify for nomination. Hung Hsiu-chu, deputy speaker of the Legislative Yuan (LY), was the only viable candidate to step forward.

Hung was born in Taipei in 1948 after her parents came from the mainland in early 1946. Her father had been a minor Republic of China (ROC) official and worked for the Taiwan Sugar Corporation. He was accused of being a communist agent and spent three years in prison; his job prospects suffered for the rest of his life and Hsiu-chu grew up with limited resources. After college she spent 10 years as a high school teacher and then in 1980 began working in a KMT branch office. She was elected to the LY in 1989 and climbed the party ladder, serving as a vice chairperson of the party from 2012 until the day after Eric Chu became chairman in February

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2015. On the basis of this background and a reputation for straight talk, Hung passed the KMT primary threshold with 46 percent June 13.

In an interview with the mainland-affiliated *China Review News* published on April 20, Hung stated that Ma Ying-jeou's Three Nos (no unification, no independence, no use of force) and the "1992 Consensus" are no longer able to move cross-strait relations forward. She called for political talks that may lead to a peace agreement. Since then, she has struggled to define her vision for cross-strait relations in a clear and consistent way. On May 6, the day after Eric Chu returned from China to criticism for using Xi Jinping's language that both sides of the Taiwan Strait belong to one China, Hung described the status quo as overlapping sovereignty claims by two separate governments, and announced a goal of reaching agreement with Beijing on "one China, same interpretation." Facing an outcry, Hung sought to clarify her intent by claiming that the idea is an "advanced version of the 1992 Consensus," then explaining that the governments of the PRC and the ROC would recognize each other's existence. She said, in a clumsy way, that this would not imply recognition of the ROC itself since this would be the same as a "two-state theory." Her idea can be characterized as mutual recognition of jurisdiction, a step farther than President Ma's mutual non-denial, within the context of one China. In a June 10 speech to the KMT Central Standing Committee, Hung repeated criticisms of the party's timidity, compromises, and appeasement and asked, "Do we have the ideals to save the nation? Or do we want only to hold on to a corner of our territory, like at present...?"

Hung's positions were out of step with opinion within the KMT and the society at large. As criticism intensified, her poll numbers plummeted, some KMT members defected to the PFP, and there was talk of dumping her candidacy. Instead, Chairman Chu rallied the party's national congress in July, and she was unanimously nominated. To clarify party policy, the "1992 Consensus" – one China, respective interpretations – which Hung had written off in April and May, was written into the KMT platform. In her acceptance speech she said she would "adhere to the party's political platform." Although Hung has not repeated her idea of "one China, same interpretation," the damage to her candidacy had been done.

Hung's rhetoric and Eric Chu's mismanagement of the nomination process have weakened the KMT. Hung is not receiving the usual support from party leaders, her nomination has widened the gap between "mainland" and "local" factions, and several senior politicians have left the party or been expelled.

Tsai Ing-wen

While Hung has struggled to clarify her view of cross-strait relations, Tsai Ing-wen has worked hard to keep hers vague. Tsai has tried to focus more on the style of her policy – transparent and participatory – than on the desired end state. She faces a delicate balancing act as she must speak to DPP supporters, Taiwan's voters at large, and the government in Beijing.

Xi Jinping and other PRC officials have been firm on Beijing's conditions for dealing with a DPP administration. The shorthand is that the "1992 Consensus" must be upheld and Taiwan independence opposed. Tsai's response to this challenge, which she has adopted since March, is to say that she will uphold peace, stability and the "status quo" in cross-strait relations. She has emphasized her sense of responsibility for maintaining peace, but has not explained how she

would accomplish this in the face of PRC demands (see our previous report). Both Beijing and the KMT have called on her to clarify this, but the KMT is so weak that it has not been able to force Tsai to say anything that might alienate DPP voters. She has not (and most likely will not) explicitly accepted the “1992 Consensus,” uttered the phrase “one China,” or foresworn Taiwan independence.

As the DPP attributed Tsai’s loss in 2012 in part to US criticism of her cross-strait policy, the party has worked hard to solidify ties with the US and lay the groundwork for Tsai making a successful visit to Washington. On a 12-day visit to the United States in late May and early June, Tsai wrote in a *Wall Street Journal* op-ed that she seeks to enhance “principled cooperation with China,” but included this as a facet of Taiwan’s “foreign policy.” She acknowledged that “consistent and sustainable” cross-strait relations underpin all of Taiwan’s external and economic goals. Notably, she wrote that she will “ensure that the spirit of cooperation that has guided the betterment of China-Taiwan relations continues.”

In a [speech](#) at CSIS on June 3, Tsai responded subtly to some of the markers that Beijing has put down, without changing the DPP’s principles. She said as president she will pursue peaceful development of cross-strait relations “in accordance with the will of the Taiwanese people and the existing ROC constitutional order.” During the question and answer session she defined this to encompass “the constitution itself, subsequent amendments, interpretations, court decisions, and practices by the government and different sectors of the population.” This phraseology could allow for different interpretations of whether she was basing her policy on the ROC’s “one China” constitution. Tsai also said that both sides should “treasure and secure the accumulated outcomes of more than 20 years of negotiations and exchanges,” and that these outcomes will form the “firm basis” of her pursuit of continued peace and development. She seemed to be saying something that could be interpreted as indirectly accepting the “1992 Consensus” which occurred “more than 20 years” ago. Some of Tsai’s ambiguous statements appeared to indicate that some form of dialogue had been going on behind the scenes between the DPP and Beijing.

Tsai concluded her discussion of cross-strait policy by reaffirming one of her party’s principles. Echoing the Resolution on Taiwan’s Future, she said that “most importantly” she would “uphold the right of the people to decide their future free of coercion.”

These efforts to address her differences with Beijing contributed to a successful visit. The US State Department said its exchanges with Tsai were “constructive,” a much better response than she received on her unsuccessful visit to Washington during her 2012 presidential campaign. Furthermore, the State Department reiterated that the US would remain neutral in the campaign. By contrast, Beijing reprimanded the US for sending wrong signals to “separatist forces.”

James Soong

With Hung Hsiu-chu’s campaign on the rocks, veteran politician and PFP founder James Soong Chu-yu saw an opportunity and on Aug. 6 announced his candidacy. In his announcement, Soong sought to appeal to both “green” and “blue” constituencies, pledging to maintain the cross-strait status quo, calling it the most agreed-upon consensus among Taiwan’s 23 million people. He said that under the “1992 Consensus,” his administration would pursue economic, cultural, social, and educational exchanges with the mainland.

He spoke to many mainlanders, saying that people on both sides of the strait belong to the Chinese ethnic group, and channeled Tsai Ing-wen when he pledged “I will ensure public participation, transparency, open scrutiny and legislative supervision in the government’s creation of major cross-strait policies.” The next day he portrayed himself as heir to the legacy of Chiang Ching-kuo, saying his former boss “emphasized that he was both a Chinese and a Taiwanese, and that he would not turn his back on the Chinese ethnic group, nor walk away from his responsibility to Taiwanese.”

Soong’s entry into the race clearly hurt Hung’s prospects and split the opposition to Tsai, and seems to assure Tsai’s eventual election. His candidacy is also designed to boost the prospects of PFP candidates in the LY elections. The disarray in the KMT and the breakdown of KMT-PFP cooperation have opened the possibility that the DPP may win a majority in the LY, alone or with support of other pan-green elected members.

Beijing’s response

As the campaign has proceeded, the DPP’s prospects have become increasingly positive. This has only intensified a debate in Beijing both on what this means for the long-term and how to influence events. Things that could be interpreted as hard and soft approaches have occurred.

Among the hard signals is the firm position Xi Jinping has taken with respect to the DPP. In his early-May meeting with KMT Chairman Eric Chu, Xi warned about the dangers posed by Taiwan independence forces and stated that, if the political basis for cross-strait relations is lost (for instance if the DPP should continue to reject the “1992 Consensus”), then there would be no peace and no development in cross-strait relations. Zhang Zhijun warned that people might realize how precious peace is only after losing it. Beijing has conducted military exercises focused on Taiwan. For example, the PRC conducted long-range strike exercises in the Bashi Channel south of Taiwan during Tsai Ing-wen’s visit to the United States. In July, the official TV channel (*CCTV*) carried a short clip featuring a PLA urban warfare exercise targeting a building resembling the presidential office building in Taipei. In Taipei this was interpreted as a threatening action related to the election.

Beijing’s handling of the question of Taiwan’s membership in the Asian Infrastructure Investment Bank (AIIB) also seems to fit this hardline pattern. When the charter for the bank was completed in June, Beijing noted that membership was open to members of the Asian Development Bank (ADB) and World Bank and expressed confidence that Taipei’s membership could be worked out. However, the specifics raised two problems. First, non-sovereign candidate members had to be sponsored. Beijing and the vast majority of AIIB members consider Taiwan as non-sovereign. How Taipei would be sponsored was not clear. Being sponsored by Beijing would be unacceptable. Second, although Taipei’s membership in the ADB seemed to open an avenue for Taiwan, Taipei’s membership in the ADB is under the name “Taipei, China,” a term that was imposed on Taiwan and that Taipei has made clear would be unacceptable in the AIIB. Since the announcement of the bank’s charter in June, no further action has been announced. Beijing appears to be delaying resolution of the membership issue until after the election.

Beijing's softer side has appeared more recently in its handling of Taipei Mayor Ko Wen-je, in policy guidance given at the annual conference of the National Taiwan Studies Society in August, and Xi's most recent comments. Since last winter Beijing had been pressing Ko to accept the "1992 Consensus" on one China as the price for approving his participation in the Shanghai-Taipei "Twin City Forum." But despite various statements by Ko, his participation remained uncertain. Although Ko and the DPP are different, it has been clear that the Taiwan Affairs Office (TAO) was handling Ko with the DPP in mind. In May, Taipei Deputy Mayor Chou Li-fang visited Shanghai, and in July, Shanghai Deputy Mayor Weng Tiehui visited Taipei and met Ko. As the PRC objected that the city government's international office was handling Weng's visit, Ko transferred responsibility to the media department. The visit did not produce an announcement about the Twin City Forum. Ko acknowledged that Beijing was pressing him to clarify his views on the "1992 Consensus" and the nature of Shanghai-Taipei ties. For his part, Ko continued to refer back to his March statement about a "New Perspective for 2015." A few days later, Ko agreed to an interview official PRC and other media on Aug. 3.

In that interview, Ko said that he "understood and respected the mainland's position that the "1992 Consensus" was the foundation of peaceful cross-strait development." He also clarified that Shanghai-Taipei exchanges were "cross-strait" exchanges handled by the Taipei City government's mainland committee, rather than international exchanges. That same day the TAO spokesman noted Ko's comments that the mainland-proposed "1992 Consensus" was the basis for cross-strait relations and said that as long as one accepts that political basis, cross-strait relations including Shanghai-Taipei exchanges can progress. The TAO also noted that Ko characterized Shanghai-Taipei exchanges as inter-city ties handled by Taipei's mainland affairs committee. In the interview, Ko also explained what his New Perspective for 2015 meant saying, "the already signed agreements and the history of the interactions across the strait must be respected. Under the current political foundation, the two sides should conduct exchanges.... in accordance with the spirit of the 'two sides being like a big family'" – the last a theme Xi Jinping has promoted. The Twin City Forum was held in Shanghai on Aug. 18 with Ko participating.

From Beijing's perspective, a leading independent politician with pro-independence leanings who earlier dismissed the "1992 Consensus" had been persuaded to support the mainland's peaceful development policy on terms acceptable to the Beijing. However, Ko's comments and the holding of the forum have sparked speculation in Taipei that a new formulation has been found. Seen from abroad, it seems clear that Beijing showed considerable flexibility. Ko did not have to explicitly endorse the "1992 Consensus," say he believed in "one China," or profess opposition to Taiwan independence. But he said and did enough to satisfy Beijing. Reacting to the speculation in Taipei, the TAO spokesman stated that Beijing's views on the political basis of cross-strait relations had not changed. It is interesting that Ko's language on the history of cross-strait interactions bears some similarity to remarks Tsai Ing-wen made in Washington.

On Aug. 6, TAO Minister Zhang Zhijun addressed the annual meeting of the National Taiwan Studies Society. This was an opportunity to address current concerns and describe policy in a manner that would discourage unwanted speculation by PRC scholars. Zhang admitted the peaceful development policy faced challenges, though he did not specifically mention the election or the prospect of the DPP returning to government. In the coming period, policy toward Taiwan would maintain its "stability and continuity." Rhetorically asking whether the peaceful

development policy would stagnate or reverse, Zhang provided the answer quoting Xi Jinping's comments in March that "we should unswervingly pursue peaceful development, unswervingly adhere to the common political basis, unswervingly bring benefits to the people across the Strait and unswervingly join hands to realize the national revitalization." Zhang warned about the danger posed by independence activists and noted that if the political basis was lost, relations could become turbulent. However, he spent more time explaining positively that if the "1992 Consensus" is maintained, then peace would be preserved, Taiwan's benefits would be enhanced, Taiwan's markets expanded, and its access to regional and international space opened. While he carefully quoted hard and soft elements, he concluded by expressing confidence in preserving the fruits of the peaceful development policies consistently over the long-term. No sense was conveyed that relations were facing a crisis.

On Sept. 1, Xi Jinping met former KMT Chairman Lien Chan, who was in Beijing to participate in Beijing's commemoration of victory in the War of Resistance against Japanese Aggression. Xi took a soft line on cross-strait relations. He said that Taiwan and the mainland were bound together in a common destiny and that abiding by the "1992 Consensus" was the key to cross-strait peace and prosperity. Xi chose not to repeat earlier warnings.

Minimal progress in cross-strait relations

With the campaign underway in Taipei, domestic economic challenges growing in China, and no action by the LY on the cross-strait agreements oversight bill, conditions have not been favorable for progress on practical cross-strait issues. Nevertheless, the Ma administration has wanted to show that it is not a lame duck, and Beijing wishes to consolidate ties while the KMT remains in office. In May, the PRC State Council published regulations that preserved the preferential treatment for Taiwanese investments, addressing a major concern of investors from Taiwan. Later in May, Mainland Affairs Council (MAC) Minister Andrew Hsia Li-yan met his counterpart TAO Director Zhang Zhijun in Kinmen. Although no significant breakthroughs were made, they reached preliminary agreement on the mainland supplying water to Kinmen. In July, Fujian Province signed a 30-year contract to build a pipe system to supply water to the island. In August, Straits Exchange Foundation (SEF) President Lin Join-sane and his counterpart Association for Relations Across the Taiwan Strait (ARATS) Chairman Chen Deming held the 11th SEF-ARATS meeting in Fuzhou. They signed a double taxation avoidance agreement and an agreement on aviation safety cooperation, bringing the total of cross-strait agreements to 23.

Despite these developments, no progress was made on the major outstanding issues. Although China and Korea formally signed their free trade agreement (FTA) in June, no further negotiations were held on the Cross-strait Merchandise Trade Agreement (MTA), though two rounds of technical talks took place. Similarly, no further negotiations were held concerning the exchange of offices between ARATS and SEF. Taipei had hoped to reach agreement on a less important issue – allowing PRC tourists visiting Taiwan to travel on to third countries. However, Beijing continued to demand in return Taiwan's agreement to a new flight route directly across the strait, a condition Beijing understood Taipei could not accept for security reasons.

Taipei has perceived a new pattern of unilateral actions on cross-strait issues by Beijing this year. The first was the announcement of the new M503 and associated flight routes in January, which

was eventually resolved in a mutually acceptable manner. In June, Beijing unilaterally announced its intention to issue a new plastic card to replace the Taiwan Compatriot Certificate (*Taibaozheng*) that people from Taiwan use when traveling to the mainland. Taipei had concerns about the implications of this change, but in July Beijing proceeded to implement the change on a trial basis in Fujian. Also in July, Beijing incorporated Taiwan into its new comprehensive National Security Law (NSL) in another unilateral move seen as threatening in Taiwan.

South China Sea

In a speech in Taipei on May 26 and op-ed in the *Wall Street Journal* on June 11, President Ma announced a South China Sea Peace Initiative. He defined the ROC's claim in the disputed region as certain islands "and their surrounding waters," and called on concerned parties to "respect the principles and spirit of relevant international law, including the Charter of the United Nations and the United Nations Convention on the Law of the Sea." This reference to UNCLOS continues the differentiation that President Ma began in 2014 of Taiwan's claims in the South China Sea from China's expansive claims. On July 7, Taiwan's Foreign Ministry restated Ma's definition of the ROC claim. Ma's initiative is similar to his 2012 East China Sea Peace Initiative that has decreased tensions between Taiwan and Japan (if not with China), though the latter initiative referred to "the UN charter and relevant provisions in international law" and did not explicitly cite UNCLOS.

Looking ahead

The Taiwan presidential campaign will dominate the coming period. Although Hung's spokesman has said she will not withdraw and the KMT chairman is again talking of rallying support for Hung, the status of the KMT presidential campaign remains uncertain. How PFP candidate Soong will react is also uncertain. In the LY, the KMT and PFP face another challenge to restore some level of cooperation among the pan-blue parties before LY candidates formally register in late November. Tsai's challenge is to maintain a smooth coherent party campaign to maximize the DPP's prospects. With the election fast approaching, Beijing appears to have few effective means to influence events that are moving contrary to its interests.

Chronology of China-Taiwan Relations May – August 2015

May 3, 2015: Kuomintang (KMT) Chairman Eric Chu Li-lun attends KMT-Chinese Communist Party (CCP) Forum in Shanghai.

May 4, 2015: KMT Chairman Chu and CPP General Secretary Xi Jinping meet in Beijing.

May 5, 2015: Legislative Yuan (LY) adopts bill to implement UN Convention against Corruption.

May 11, 2015: American Institute in Taiwan (AIT) Chairman Ray Burghardt visits Taipei.

May 11, 2015: People's Republic of China (PRC) State Council publishes document to preserve preferential tax provisions for Taiwan invested enterprises.

May 14, 2015: President Ma Ying-jeou explains views on 1992 Consensus at Taipei conference.

May 14, 2015: Taipei orders Alibaba to end business in Taiwan within six months.

May 18, 2015: Taipei Health Minister Chiang Been-huang attends World Health Assembly.

May 23, 2015: Mainland Affairs Council (MAC) Chair Hsia Li-yan and Taiwan Affairs Office (TAO) Minister Zhang Zhijun meet in Kinmen.

May 25, 2015: Taipei Forum holds conference on cross-strait relations.

May 26, 2015: President Ma Ying-jeou proposes South China Sea Peace Initiative.

May 26, 2015: SEF Chairman Lin Join-sane visits Zhejiang, Jiangsu, and Tianjin.

May 27, 2015: Republic of China (ROC) Chief of General Staff Yen De-fa attends change of command ceremony at Pacific Command in Hawaii.

May 28, 2015: TAO Deputy Chen Yuanfeng visits Washington DC.

May 29, 2015: Democratic Progressive Party (DPP) Chair Tsai Ing-wen begins 12-day, five-city visit to US.

June 1, 2015: DPP Chair Tsai writes "Taiwan Can Build on U.S. Ties" in *Wall Street Journal*.

June 1, 2015: US Assistant Secretary of State for Economic and Business Affairs Charles Rivkin visits Taipei.

June 1, 2015: China and South Korea sign free trade agreement (FTA).

June 3, 2015: DPP Chair Tsai meets National Security Council's Evan Medeiros and gives speech at CSIS.

June 4, 2015: DPP Chair Tsai meets Deputy Secretary of State Antony Blinken.

June 7, 2015: DPP Chair Tsai holds end of visit press conference in San Francisco.

June 8, 2015: Kin Moy takes office as AIT Director in Taipei.

June 11, 2015: President Ma writes *Wall Street Journal* article proposing South China Sea (SCS) peace initiative.

June 12, 2015: Hung Hsiu-chu passes KMT nomination threshold.

June 14, 2015: Yu Zhengsheng announces new card to replace Taiwan Compatriot Certificate (*Taibaozheng*) that Taiwan people use to travel to mainland.

June 22, 2015: Myanmar opens trade office in Taipei.

June 29, 2015: Beijing announces Asian Infrastructure Investment Bank (AIIB) membership open to ADB/WB members.

July 1, 2015: PRC publishes National Security Law with provisions applying to Taiwan.

July 4, 2015: President Ma presides at WWII anniversary military parade.

June 6, 2015: Beijing begins issuing new travel cards (*Taibaozheng*) to Taiwanese visiting Fujian.

July 11, 2015: President Ma transits Boston and attends symposium at Harvard.

July 13, 2015: President Ma visits Dominican Republic.

July 14, 2015: President Ma meets President Martelly in Haiti.

July 15, 2015: President Ma meets President Ortega in Nicaragua.

July 15, 2015: MAC Chair Hsia Li-yan visits Washington for consultations.

July 16, 2015: President Ma transits Los Angeles.

July 19, 2015: KMT Congress formally nominates Hung Hsiu-chu.

July 20, 2015: US-Taiwan “Monterey talks” are held in Washington DC.

July 22, 2015: PLA military exercise story involving simulated attack on presidential office building widely covered in Taipei media.

July 23, 2015: Former President Lee Teng-hui in Japan, says Diaoyutai belong to Japan.

July 23, 2015: Taiwan student activists protesting curriculum changes break into Ministry of Education (MOE).

July 29, 2015: Shanghai Deputy Mayor Weng Tiehui visits Taipei to discuss Shanghai-Taipei Forum with Mayor Ko Wen-je.

July 30, 2015: Students activists protest at MOE and break into LY.

Aug. 3, 2015: In interview with PRC journalists, Mayor Ko expresses respect for “1992 Consensus.”

Aug. 6, 2015: James Soong Chu-yu of People’s First Party (PFP) announces candidacy.

Aug. 6, 2015: Students end their protest in front of MOE.

Aug. 6, 2015: TAO Minister Zhang addresses National Taiwan Studies Society conference.

Aug. 13, 2015: Massive industrial explosion in Tianjin; Taipei offers help.

Aug. 14, 2015: TAO Minister Zhang holds consultations in Washington.

Aug. 17, 2015: Taipei announces it is constructing a lighthouse on Taiping Island.

Aug. 18, 2015: Taipei Mayor Ko attends Taipei-Shanghai Forum in Shanghai.

Aug. 20, 2015: Yu Zhengsheng meets delegation led by former LY speaker Yao Eng-chi.

Aug. 21, 2015: TAO spokesman comments further on Shanghai-Taipei forum.

Aug. 25, 2015: Eleventh SEF-ARATS meeting held in Fuzhou; double taxation and aviation safety agreements signed.

Aug. 26, 2015: Technical talks on Merchandise Trade Agreement held in Beijing.

Aug. 27, 2015: Taiwan joins North Pacific Fisheries Commission.

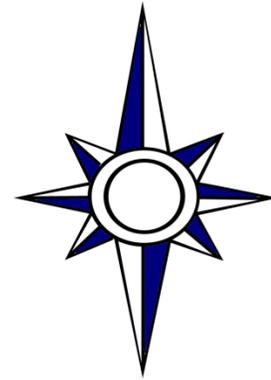
Aug. 27, 2015: ROC government and military, and KMT, discourage members from attending Beijing’s Sept. 3 military parade.

Sept. 1, 2015: Lien Chan meets Xi Jinping in Beijing.

Sept. 2, 2015: KMT candidate Hung announces temporary suspension of campaign activities.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



South Korea-North Korea Relations: From Snakes to Ladders?*

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Mid-2015 saw the two Koreas hit the headlines again, for the usual depressing reasons. To be exact, it was a hot August politically on the peninsula; with hostilities – mostly rhetorical, but shots were fired – cranked up to a degree not seen since the spring of 2013. Before that, three months of bickering during May through July destroyed the “late spring blossoms” which our previous report had foolishly thought to discern in bud. Having been thus wrongfooted (not for the first time), although hope springs eternal, caution seems advisable as to the prospects for and sustainability of the welcome new outbreak of peace which North and South Korea currently purport to have snatched from what so recently had looked like the brink of war.

June 15, August 15: nothing doing

At the outset of the period covered, there were hopes that North and South Korea might get their act together and jointly celebrate two significant dates. June 15 marked 15 years since the first ever North-South summit in Pyongyang, between the then leaders of the ROK and DPRK, Kim Dae-jung and Kim Jong Il, while Aug. 15 marked the 70th anniversary of Korea’s liberation from Japanese occupation in 1945 – and was also, of course, the date when the peninsula was ‘temporarily’ partitioned into North and South.

Perhaps predictably, nothing came of either plan. South Korea subcontracted negotiating with the North to “progressive” NGOs, reserving the right to approve or veto whatever they came up with. This rather odd way of doing things suggested a lukewarm attitude. The conservative governments of Lee Myung-bak and Park Geun-hye remain wary of celebrating the June 2000 summit, lest they seem to endorse the “Sunshine Policy” of their liberal opponents. It is unfortunate, not least for inter-Korean relations, that South Korea cannot achieve a degree of bipartisanship on such a fundamental issue. Not unreasonably, North Korea wants the South to explicitly recommit to the accords that it signed at both the 2000 and 2007 summits.

On this unpromising basis, inter-Korean talks were held in Shenyang, China in early May. But on June 12, the South’s committee said there would be no joint celebration of the summit anniversary – and blamed their own side: “The chief reason is the continued deterioration of inter-Korean relations under the South Korean government’s policies of military pressure and confrontation.” This echoed the North’s view: on June 1, the DPRK said it would be better to

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hold separate events, blaming the ROK's lukewarm stance and its insistence on only allowing non-political exchanges. Similar differences put paid to any con-celebrations on Aug. 15, by which time tensions were in any case rising as discussed below.

Human rights? How unsporting!

The collapse of June's plans still left a sporting chance elsewhere. Kim Jong Un's enthusiasm for sports was made clear last fall, when the DPRK sent a full squad to the Asian Games held in Incheon. As we reported at the time, three senior Northern leaders even came South for the closing ceremonies, leading to hopes (swiftly dashed) of a wider inter-Korean breakthrough.

If Incheon was a missed opportunity, two further such chances presented themselves in 2015 thanks to South Korea's unquenchable keenness to host international events of all kinds. First up was the Summer Universiade (world student games) in July (3-14), held this year in the southwestern city of Gwangju. North Korea had signaled that it would participate, intending to send 75 athletes and 33 officials. In April, it confirmed this when four officials came to the Jeolla capital to take part in the draw and a heads-of-delegations meeting. But in the end Team DPRK did not compete. Having missed two deadlines in early June to register for events, on June 19, the DPRK's Sports Federation emailed the organizers withdrawing from the games.

Their stated reason for this was the imminent opening in Seoul of a field office of the UN High Commission for Human Rights (OHCHR), to collect data on abuses in the DPRK. The new office was duly inaugurated on June 23 by UN High Commissioner for Human Rights Zeid Ra'ad Al Hussein. While angrily dismissing as always charges of human rights violations, ever since the plan for this office was announced last year North Korea had relentlessly [denounced](#) it as "a heinous anti-DPRK plot-breeding organization" and so on. (Pyongyang may not have noticed, but in his [speech](#) the High Commissioner also raised some issues about the ROK's record on rights and free speech – and gave Japan a kicking over the comfort women issue.)

Pyongyang may huff and puff, but its human rights situation is appalling. Yet at the risk of offending some readers for whom this issue is paramount, it is surely legitimate to ask two questions: what concrete good this new office will do, and why it had to be in Seoul. The answer to the latter is that Park Geun-hye was keen to host it, which raises a further question: what price *Trustpolitik*? Does President Park even have a joined-up North Korea policy?

All leaders, on all issues, must strategize and prioritize. Hosting this new office was bound to infuriate Pyongyang and set back inter-Korean relations overall. Park and her advisers must have thought of that, but deemed it the right thing to do nonetheless. As to usefulness, South Korea is of course where the vast majority of Northern defectors live. But collecting fresh testimony could surely be achieved just as well by visits, as the UN Commission of Inquiry (COI) did, without the expense of an office. Or if the latter were indeed necessary, could it not have been put in Tokyo, say? Is there not perhaps an element of gesture politics in all this?

Still the deed is done now, and for the DPRK to flounce away from a sports event may be a low price to pay. Two sports events in fact, for Pyongyang was also due to send a team to the [Military World Games](#) in Mungyeong, ROK in October (2-11). Mungyeong is [associated](#) with

Park Chung-hee, the dictator (1961-79) and father of Park Geun-hye, who was a teacher there in his youth. From there in 1939 he applied to join the Manchukuo Army (a goal that he later achieved), pledging allegiance to the Japanese emperor in his **own blood**. So to have the KPA running around in Mungyeong could have raised interesting historical ironies, but it was not to be. On July 31, the KPA's athletic guidance committee informed the International Military Sports Council (CISM) that they were not coming, without giving any specific reason.

Dissing DJ's widow

Before late August's tensions, the beginning of that month saw an episode that once again raised questions about Kim Jong Un's motives and judgment. In a mostly bleak inter-Korean landscape, the temptation is to clutch at whatever straw can be found. One such, as noted in our last issue, was a possible return visit to Pyongyang by Lee Hee-ho, the former ROK first lady and widow of Kim Dae-jung who instituted the "Sunshine Policy" of engagement.

Lee is one of the few South Koreans who has met Kim Jong Un, if only briefly and formally, in December 2011 after his father Kim Jong Il's death. In a rare and wise concession, South Korea's hardline president at the time, Lee Myung-bak, allowed Lee and a small party to go to Pyongyang to offer condolences. That opened a line of contact, with regular exchanges of personal greetings on significant dates. A fresh visit had been planned for last year, but Lee's health (she is 92) rendered that impracticable. Last December Lee sent a wreath, as usual, on the anniversary of Kim Jong Il's death. Kim Jong Un replied on Christmas Eve, thanking her for the flowers and renewing his personal invitation to her to visit the North. Moreover, that letter was hand-delivered to Lee's aides in Kaesong by no less than Kim Yang Gon, North Korea's point man on the South. (His formal title is director of United Front Department of the DPRK's ruling Workers' Party [WPK].) Kim took the opportunity to state that "we desire better relations between the North and South."

All this set up certain expectations when Lee finally made the trip, flying into Pyongyang on Aug. 5 for a four-day visit. True, she holds no official position now, nor did she carry any message from the ROK government. (Perhaps President Park could or should have written a note, but caution is understandable given the poor state of inter-Korean relations.)

Yet in the event, for whatever reason, Kim Jong Un not only failed to meet his invited guest but in effect insulted her by fobbing her off with low-level interlocutors and dreary sites like the International Friendship Exhibition at Myohyangsan, a purgatory inflicted on any ordinary tourist. Gracious lady that she is, Lee put a brave face on all this, hugging Northern orphans as she delivered woolly hats and mufflers from a Southern NGO which she chairs, as well as \$258,000 worth of medicines donated by ROK pharmaceutical firms. But she must have been disappointed, as was South Korean public opinion. Why bother to invite a distinguished but frail old woman, only to stand her up? This makes no sense, as well as showing no manners.

The guns of August

And so to the main event. On Aug. 4, the day before Lee Hee-ho flew to Pyongyang, an ROK patrol in the western part of the DMZ close to Paju city set off a landmine blast; two young

sergeants lost legs. The DMZ is studded with as many as a million mines, mostly laid since the 1950-53 Korean War; many were air-dropped during periods of tension in the 1960s. Their precise locations are often unknown, and some may have shifted over time due to rain and other causes. Hence this was at first assumed to be a tragic accident. *Stars and Stripes* noted that “in the hours after the blasts, South Korean officials said there was no possibility of North Korean involvement, and recent heavy rains might have displaced the land mines.”

They soon changed their tune. On Aug. 10 the UN Command and Joint Chiefs of Staff (JCS) reported the results of their investigation. By their account, forensic evidence proved the three mines to be of DPRK provenance, laid within the past month on a known regular patrol route used by ROK troops near a gate into the DMZ on the southern side. As to how the KPA managed to sneak across the Military Demarcation Line (MDL) into the Southern half of the DMZ and place the mines, thick fog was adduced; it might also suggest a certain lack of vigilance.

Seoul’s reaction was swift and sharp. Maj. Gen. Koo Hong-mo, JCS director of operations, warned that “North Korea will pay a harsh price proportionate to [its] provocation ... our military will make [them] pay the equally pitiless penalty for their provocations.” Action followed within the day. For the first time since 2004 the South switched on its propaganda loudspeakers ranged along the west and central DMZ; blasting a [mix](#) of news, critique, and K-pop, which reportedly could be heard up to 12 miles inside the DPRK. Pyongyang naturally denied all responsibility for the mines, angrily denounced the loudspeaker broadcasts, and threatened to shoot at these and other ROK targets. Brushing this off, Seoul went ahead with the regular annual *Ulchi Freedom Guardian* (UFG) joint maneuvers with the US which kicked off Aug. 17.

Things heated up on Aug. 20. Here *Comparative Connections*’ day by day chronology is not enough. We need an hour by hour account, which an Asan Institute [paper](#) handily offers:

It began with a North Korean artillery fire on August 20th 3:52pm (0652 GMT) when a single 14.5 mm shell hit an uninhabited hillside in Jung-myeon, Yeoncheon County of Gyeonggi Province....Twenty minutes later (at approximately 4:12pm), two rounds of shells were fired from a 76.2mm direct fire weapon aimed at a location near the first target but 700 meters south of the Military Demarcation Line (MDL). At about 4:50pm, the Blue House National Security Chief Kim Kwan-jin receives a letter from the Director of the United Front Department Kim Yang-gon stating that South Korea’s resumption of broadcasts through its loudspeakers aimed at North Korea is tantamount to a “declaration of war” but that North Korea is willing to resolve the current situation and “open a way out for the improvement of the relationship.” According to the South Korean Ministry of National Defense, the General Staff Department of the North Korean People’s Army issued a statement at about the same time via a border telephone channel stating that they would initiate “military action if the South does not stop its anti-Pyongyang psychological broadcasting and remove all facilities in 48 hours from 5pm.” At 5:04pm, the South Korean military responded with “dozens of rounds of a 155mm self-propelled gun as warning shots” aimed at an uninhabited location 500 meters north of the MDL. At 5:10pm, the South Korean military issues an evacuation order for approximately 2,000 residents of Yeoncheon, Paju, Gimpo, and Kanghwado. At 5:40pm, the South Korean military raises its security posture to the highest level of readiness. At 6 PM, the Blue House convenes an emergency National Security Council meeting under the direction of President Park. Geun-hye.

Nor did the day end there, at least not in Pyongyang. That night Kim Jong Un convened an “emergency enlarged meeting” of the Central Military Commission (CMC) of the ruling Workers’ Party (WPK) – although *KCNA*’s [photos](#) show only 15 men around a table, the CMC’s normal complement – and declared a “semi-state of war” from the next day.

As in previous Korean crises, the Seoul street appeared wholly unfazed. There was no bulk buying of instant noodles or other emergency supplies. Some dryly noted a contrast with the panic seen during a brief outbreak of Middle East Respiratory Syndrome (MERS) earlier this year, when many South Koreans wore masks and quite unnecessarily avoided going out. On Aug. 24, Seoul’s share index, the Kospi, hit a two-year low, but that reflected worries about the Chinese economy, not fears of the KPA. In the “Keep Calm and Carry On” camp, Andrei Lankov [called](#) the whole thing a “diplomatic ballet” (but if so, who was the choreographer?). Buttressing this view, the joint venture Kaesong Industrial Complex (KIC) operated normally throughout the crisis, with Southern managers and goods daily going back and forth across the DMZ. Indeed, on Aug. 17, surely within earshot of the South’s loudspeakers, which by then had been blaring for a week, North and South resolved a long-running row over pay rates in the KIC; this is discussed below. Interesting timing. Meanwhile, in a civilian exchange of a kind rare now, 83 South Korean teenagers happened to be in Pyongyang for a soccer tournament. Nothing bad happened to them, the atmosphere was normal, and a 70,000-strong home crowd roared encouragement when their compatriots scored a goal against China.

Back on the border, having thus cranked up tensions, North Korea then eased them, offering talks shortly before its 48 hour deadline expired. This was some relief, as was the very senior level of each side’s negotiators. The North sent not only Kim Yang Gon, its long-time point man on South Korea (his formal title is secretary of the United Front Department of the WPK Central Committee), but also Hwang Pyong So, Kim Jong Un’s right-hand man. Both men had come South briefly last October for the Incheon Asiad closing ceremony. Their Southern interlocutors were Hong Yong-pyo, who has had little chance to make an impact since being appointed as minister of unification earlier this year, and more importantly, President Park’s national security adviser, Kim Kwan-jin. Ex-general Kim’s hardline reputation in his former post as defense minister prompted a Northern [video](#) two years ago of an effigy of him being torn apart by KPA attack dogs while his picture was used for pistol practice. One shooter is quoted as calling Kim “such a bastard and defective human being, he doesn’t even deserve to be our target.”

Presumably the dialogue at Panmunjom was more polite, if not necessarily less tough. In a bizarrely dysfunctional format, these marathon talks (43 hours in all) ran through most of one night, all of the next, and well into a third. Starting at 6pm on Saturday Aug. 22, they finally concluded at past 1am on Tuesday Aug. 25. This is hardly conducive to mental alertness or clear thinking. Nor was it just the four negotiators and their aides who got no sleep. The talks were livecast to Seoul and Pyongyang, so Park Geun-hye and her staff (and no doubt Kim Jong Un and his) were watching and steering them in real time. This has some advantages: everyone knows the state of play, with no further reporting up and back required. But it is also highly constrictive, especially at sticking points. Reportedly, about a dozen “restroom breaks” were taken so that problems could be thrashed out away from the leaderly gazes.

The fact that talks were ongoing did not immediately defuse tensions on the ground. Each side accused the other of bad faith in mustering forces while negotiating. The South claimed that 50 of the KPA's 70 submarines had left their bases and amphibious landing craft had been forward deployed. Six ROK fighter jets were recalled from training in Alaska. Further afield, reports (and some pictures) suggested that China was massing troops on its border with North Korea. With classic Sinocentrism, one Chinese paper [suggested](#) darkly that all this was a plot – whose, was not specified – to keep President Park away from Beijing in early September.

Back at Panmunjom, these exhausting talks – President Park burst a [capillary](#) in her eye, and even Kim Kwan-jin was wilting visibly by the end – finally produced an agreement. Succinct yet substantial, this bears reproducing in full. Unusually, the semi-official South Korean news agency *Yonhap* simply carried *KCNA*'s published version of the English [text](#):

- The north and the south agreed to hold talks between their authorities in Pyongyang or Seoul at an early date to improve the north-south ties and have multi-faceted dialogue and negotiations in the future.
- The north side expressed regret over the recent mine explosion that occurred in the south side's area of the Demilitarized Zone (DMZ) along the Military Demarcation Line (MDL), wounding soldiers of the south side.
- The south side will stop all loudspeaker propaganda broadcasts along the MDL from 12:00, August 25 unless an abnormal case occurs.
- The north side will lift the semi-war state at that time.
- The north and the south agreed to arrange reunions of separated families and relatives from the north and the south on the occasion of the Harvest Moon Day this year and continue to hold such reunions in the future, too and to have a Red Cross working contact for it early in September.
- The north and the south agreed to vitalize NGO exchanges in various fields.

Seoul wins big?

On the face of it this is a big win for Seoul. Pyongyang appears to have accepted the ROK's longstanding agenda – family reunions both now and on a sustained basis, NGO exchanges, further high-level talks – while gaining none of its own demands, such as lifting sanctions and resumption of tourism to Mount Kumgang. The South also got what it regards as an apology for the landmine incident. Even its sole concession in return, silencing the loudspeakers, was hedged by reserving the right to switch them on again if the North plays up (to paraphrase).

Most, but not quite all, comment interpreted this favorably. It has certainly worked wonders for Park Geu-hye's recently lackluster approval rating, boosting this by up to 15 points and prompting talk of a "[second wind](#)" as she began – on the very day of the six-point accord, Aug. 25 – the latter half of her single five-year presidential term. The editor of this journal [spoke of](#)

South Korea playing hardball; the North blinked. Stephan Haggard of UCSD, who writes the indispensable *Witness to Transformation* [blog](#) with the Peterson Institute's Marcus Noland and was in Seoul during the crisis, offered running commentary in a valuable series of [posts](#) and concluded this was “a North Korean stand-down.” CSIS and Georgetown's Victor Cha knew why: the [loudspeakers](#) “terrified” Kim Jong Un. Contrariwise, Joshua Stanton of the *parti pris* but challenging [blog](#) *One Free Korea* [reckoned](#) nothing was resolved: “The limited, incremental war will resume, only at a time and place more to Pyongyang's advantage.”

And what of the North? Unusually in that land of monolithic ideology, its two negotiators offered contrasting views. Hwang Pyong So did what domestic politics doubtless demanded: going on TV to [say](#) the South had been taught a harsh lesson on how tensions can escalate if it “fabricates a groundless case.” Other DPRK comment insisted they had made no apology. With more than an echo of recent debates about the nuances of Abe's Shinzo's apology (or was it?) for Japan's past crimes, linguists who parsed the various words in Korean tended to agree. By contrast, Kim Yang Gon offered a much more upbeat [take](#), blaming no one and speaking of “an epochal phase for turning misfortune into blessings in the North-South relations.”

In a further twist, Kim Jong Un convened the enlarged CMC again on Aug. 28. This time it was [visibly](#) enlarged: hundreds of mainly military officials in a hall, being harangued by their Leader. *KCNA* reported that some CMC members were changed, i.e., sacked; no names are known as yet. Kim's tone was ambivalent: he attributed the peaceful outcome to “tremendous military muscle” rather than negotiations, but he specifically endorsed the six-point accord. This must all have been a big and stressful test for him, with cross-currents and murky depths on which we can but speculate. For instance, perhaps not all his advisers thought the mines a good idea. Maybe this was even an unauthorized initiative by someone at the front over-eager to show their mettle and loyalty, leaving Pyongyang to pick up the pieces. Heads may roll.

Win-win at Kaesong

Paradoxically, even as tensions were rising along the DMZ, nearby the two Koreas managed to settle a long-running row. As outlined in the last issue of *Comparative Connections*, last year Pyongyang arrogated to itself the right to set wages at the Kaesong Industrial Complex (KIC), the last functioning North-South joint venture; and in February decreed a pay increase for its 53,000-odd workers, slightly above the agreed ceiling of 5 percent annually. Seoul protested at this unilateralism, and told its 123 firms in the KIC not to pay the extra; some ignored that. After dragging on for months, the dispute was suddenly settled on Aug. 17. North Korea accepted the 5 percent maximum, but the South agreed to recalculate its basis and include bonuses; so honor was satisfied for both sides. Why it took so long to reach such an obvious win-win solution is unclear. An ROK official noted, however, that there is still far to go to resolve other management issues at the KIC, such as ensuring a stable supply of labor – firms are keen to recruit more – and mobile phone and Internet access.

Excelsior? Or snakes and ladders?

It remains to assess the prospects for what one fervently hopes will prove to be a fresh and sustained episode of inter-Korean dialogue. As of early September the signals were mixed. On

the positive side, arrangements for family reunions are proceeding smoothly. A date has been fixed, albeit later than the South hoped: Oct. 20-26, nearly a month after *Chuseok*, the Korean harvest festival which this year falls on Sept. 26-29 and would perhaps have been too soon to organize. Candidate selection is under way: by computer in the South, no doubt less randomly in the North. The usual venue, the Hyundai-built Mount Kumgang resort on the DPRK's south-eastern coast, is being dusted off; these days it mostly languishes unused, ever since July 2008 when Seoul suspended tours after a straying tourist was shot by the KPA.

But there are still no guarantees. Readers will recall that two years ago Pyongyang cruelly [cancelled](#) such reunions at four days' notice, accusing Seoul of poisoning the atmosphere for dialogue. Ominously, Northern media are issuing a steady drumbeat of warnings in similar vein. On Sept. 6 *Minju Joson*, daily paper of the DPRK Cabinet, accused "the chief executive of south Korea" of "reckless remarks throwing a wet blanket over the improvement of the north-south relations in a foreign country... Chongwadae [the Blue House, the residence and office of the ROK president], Administration and the ruling party of south Korea vie with each other to mislead public opinion by hurting the DPRK." Averring poetically that "muddy spring will have muddy streams," the paper warned that "the hard-won north-south agreement may be an empty paper owing to the confrontation moves of the south Korean authorities." Other *KCNA* headlines from early September sound a similar note, as in this sample:

- S. Korean Authorities Urged Not to Behave Contrary to Hard-won Atmosphere of Improving Inter-Korean Relations (Sept. 2)
- S. Korean Authorities Denounced for Creating Complexity in North-South Relations (Sept. 3)
- *Rodong Sinmun* Urges S. Korea Not to Do Foul Behavior (Sept. 5)
- North-South Agreement May Be Empty Paper Owing to Confrontation Moves of S. Korea: *Minju Joson* (Sept. 6)

Note especially the phrase "in a foreign country." As discussed elsewhere in this issue, President Park's Sept. 2-4 visit to China for its military parade on the 70th anniversary of the end of World War II – or as Beijing puts it (dutifully [quoted](#) by Seoul) "China's victory in the Chinese People's War of Resistance Against Japanese Aggression" – made waves in several directions, including across the Pacific. For our purposes, although Kim Jong Un has only himself to blame for the parlous slide in DPRK-PRC relations, it must have been galling for North Korea to see Xi Jinping treat Park as a special guest, close to him on the podium in Tiananmen Square (where Kim Il Sung once stood by Mao Zedong, as ROK media gleefully pointed out); whereas its own envoy Choe Ryong Hae – who did not even get to meet Xi, so far as is [known](#) – was placed far away, at almost the very end of a long row of lesser dignitaries.

This was humiliation enough, so did Park really have to rub it in? The Sept. 3 *KCNA* article cited above seethed with fury. This merits quoting at some length, bad English and all:

The south Korean chief executive who set on [sic] her foreign trip on Sept. 2 falsified the truth about the recent situation ... She went the lengths [sic] of mentioning the "constructive role"

played by someone, a seriously insult [sic] to the DPRK, and sophism devoid of elementary political awareness.... [Park] let loose ill words while making eyes at others during her foreign trip. This clearly proves that she pursues north-south confrontation in reliance on someone ... She should also clearly remember that the force promoting the improvement of the north-south ties and preserving peace on the peninsula are [sic] the Korean nation itself, not outsiders. If the south Korean authorities persist in utterances seriously rattling the nerves of the dialogue partner while peddling the internal issue of the nation abroad, the north-south relations cannot but suffer from the repetition of the evil cycle of confrontation.

For once Pyongyang arguably has a point. The mere fact and striking symbolism of Park Geun-hye's China visit should surely have been triumph enough for Seoul. Also, having just defused a serious confrontation on the peninsula, and being about to embark on potentially the most hopeful inter-Korean peace process since Park was elected in 2012, a degree of tact and restraint toward the ever-prickly North at this time would surely have been advisable.

Evidently the ROK president and her advisers do not see it that way. Instead we got [headlines](#) like "Park talks unification in Shanghai." The *JoongAng Ilbo* cited her as saying that "she will start actual preparation for the unification of the two Koreas, urging China to play a crucial role to bring about meaningful changes from the North," noting that she used "the phrase "in the nearest future" for the very first time." Similarly, *Yonhap* [had](#) her telling journalists on the plane back to Seoul that South Korea "would cooperate with China for a peaceful unification ... Various discussions could begin as soon as possible." Even more alarmingly from North Korea's point of view, the Chinese press too has started reporting such statements. "S. Korea's Park urges DPRK to abandon policy line of simultaneous nuke, economic development" is not the kind of headline this writer can recall seeing on [Xinhua](#) before.

Meanwhile, a fortnight after Aug. 25's six-point agreement there was no sign yet of moves toward either the high-level talks or the civilian contacts mentioned in that accord. On Sept. 11 ROK Unification Minister Hong Yong-pyo told the National Assembly that there is scope for "many types of civilian inter-Korean exchanges," despite the May 24 sanctions which ban trade with and investment in the North. Hong added that Seoul supports such exchanges, and blamed the fact that they are "lackluster" on the North. On the May 24 measures themselves, Hong said they will not be lifted "until the North makes a sincere apology for the [*Cheonan*] incident." Given Pyongyang's continued denial of responsibility for sinking the *Cheonan* in 2010, and how swiftly it backtracked on its "regret" for the recent landmine incident, this means sanctions will stay. Hence one of the key items that one would expect to arise in any serious effort to make a fresh start in North-South relations is ruled out *a priori*.

Hope springs eternal, or as the Italian Marxist Antonio Gramsci famously said: "Pessimism of the intelligence, optimism of the will. (Then again, he died in Mussolini's jails.) It is possible, and devoutly to be wished, that the two Koreas really are about to turn over a new leaf in their relations. But on past form, if Seoul continues to bang on about unification (and now publicly invite China as a partner in that endeavor), while remaining inflexible on issues like sanctions which are high on Pyongyang's agenda, then we may see just one more one-off set of family reunions in October – but little or nothing else in terms of a wider thaw or more exchanges.

In an image we have used before, inter-Korean relations these days resemble the board game snakes and ladders: an alternation of tiny steps forward (up the ladder) are long knocked back again (down the snake), meaning there is little or no cumulative progress. August was an unusually dramatic example of a snake morphing into a potential ladder. Yet even if the latter proves sturdy, the sad truth is that the Koreans are breaking no fresh ground, but merely getting a little way back toward the wide-ranging engagement they had before 2008. It remains far from clear whether Park Geun-hye or Kim Jong Un yet have each other's measure, or if either of them has a viable strategic vision on how to move things forward. Absent that, snakes and ladders will remain the name of the game on the peninsula. That is a depressing prospect.

Chronology of North Korea-South Korea Relations

May – August 2015

May 1, 2015: South Korea [says](#) it will promote civilian exchange with and increase aid to the North. Seoul hopes for joint projects in areas such as culture, history, and sports.

May 2, 2015: Official *Korean Central News Agency (KCNA)* [proclaims](#) DPRK support for a planned peace march from Pyongyang to Seoul, organized by US-based *ad hoc* group [Women Cross DMZ](#). The 30 international participants include the feminist Gloria Steinem and two Nobel Peace Prize laureates.

May 2, 2015: *KCNA* reports that [Joo Won-Moon](#), a 21 year old South Korean living (with permanent US residence) in Tenafly, NJ and studying at New York University, entered the DPRK illegally by crossing the Yalu River from China on April 22 and is under arrest. On May 4 Joo [tells](#) CNN he wanted to be arrested, hoping this will assist inter-Korean peace.

May 3, 2015: Two South Koreans arrested in March are [interviewed](#) (separately) by *CNN*. Missionary Kim Kuk-gi (61) and businessman Choe Chun-gil (56) confess to being spies (ROK's National Intelligence Service [NIS] denies this), praise Kim Jong Un for treating them well, and say their own government has disowned them.

May 3, 2015: Three ROK provinces and Busan city announce [plans](#) to resume suspended aid to or cooperation with the DPRK, now that Seoul has given local authorities a green light.

May 4, 2015: ROK government [approves](#) a meeting by Southern civic groups with their Northern counterparts to discuss joint events marking the 15th anniversary of the first inter-Korean summit in 2000 and the 70th anniversary of Korea's liberation from Japan in 1945.

May 4, 2015: In a 6-3 decision, the ROK Constitutional Court [upholds](#) the National Security Law (NSL)'s comprehensive ban on anti-state activities. It rejects a suit brought by a certain Song, charged under the NSL because Kim Il Sung's memoirs were found on his computer hard drive. The dissenting judges argued that purpose matters rather than possession *per se*.

May 6, 2015: Hwang Joon-kook, ROK special representative for Korean Peninsula peace and security affairs, [tells](#) reporters in Washington that the other five participant states in the Six-Party Talks are "pushing for unconditional exploratory talks" with North Korea.

May 7, 2015: Gyeonggi Provincial Police Agency says it [arrested](#) a 28 year old man for posting dozens of pro-DPRK articles online between December 2011 and April 2013. 20 fellow-members of Corean Alliance, a civic group dubbed “anti-state” by the ROK government, demonstrate in front of Suwon police station, claiming the arrest stifles free speech.

May 7, 2015: South Korea [rejects](#) as “inappropriate” a call by the North to lift economic sanctions as a precondition for inter-Korean dialogue.

May 8, 2015: Meeting in Shenyang, the two Koreas [agree](#) to push for joint events to mark the 15th anniversary of the first inter-Korean summit in June and the 70th anniversary of Korea's liberation from Japan's colonial rule in August. No details are given. Seoul is represented by NGOs; the ROK government will review and must approve any concrete proposals.

May 8, 2015: DPRK [issues](#) an “emergency special warning,” threatening to attack ROK speedboats that it claims have been violating its territorial waters in the West (Yellow) Sea several times daily for the past week.

May 9, 2015: Rep. Yoon Sang-hyun, President Park Geun-hye's special envoy to Russia's VE day commemorations, exchanges [pleasantries](#) with Kim Yong Nam, North Korea's titular head of state, at the parade in Moscow. Kim Jong Un had been expected to attend, but did not.

May 11, 2015: *Rodong Sinmun* [announces](#) the death of Korean People's Army (KPA) Gen. Kim Kyok Sik. As commander of the KPA's Fourth Corps based in Hwanghae Province in 2010, Kim is regarded in Seoul as having masterminded that year's two fatal attacks: the torpedoing of the corvette *Cheonan* in March, and the shelling of Yeongpyeong Island in November.

May 13, 2015: South Korea's NIS [claims](#) that the North's Minister of People's Armed Forces (MPAF), Hyon Yong Chol, was executed by anti-aircraft machine gun fire circa April 30 at a military school in Pyongyang for insubordination to Kim Jong Un.

May 20, 2015: At one day's notice and without explanation, North Korea [cancels](#) a planned visit to the Kaesong Industrial Complex (KIC) by UN Secretary General (and former ROK Foreign Minister) Ban Ki-Moon, who is visiting Seoul.

May 24, 2015: “Women Cross DMZ” [enter](#) South Korea by land from the North, using a bus through the western crossing from Kaesong rather than walking via Panmunjom as they had initially hoped. Allegations of naiveté toward the DPRK give them a mixed reception in Seoul, and later Washington, although they also had [some defenders](#).

May 29, 2015: DPRK's Committee for the Peaceful Reunification of Korea (CPRK), in a tone which (as often) is at odds with its name, [attacks](#) a planned new UN office in Seoul to monitor human rights in the North as an “unpardonable provocation” and “open declaration of war.” It vows that “As soon as that anti-North base is set up in the South, it will be our very first target with merciless retribution.”

June 2, 2015: *Yonhap* reports that the two Koreas have failed to agree on joint events for the 15th anniversary of the first inter-Korean summit on June 15.

June 4, 2015: Vice Transportation Minister Yeo Hyung-koo says a DPRK veto has blocked ROK's application to join the Moscow-based Organization for Cooperation between Railways (OSJD), even though Seoul recently hosted an OSJD event. The organization may revise its rules so that unanimity is not required. Pyongyang did the same last time Seoul tried, in 2003.

June 12, 2015: South Korean NGO committee that held talks with North Korea on anniversary events for the 2000 Summit blames the ROK government for their collapse.

June 16, 2015: KCNA claims that North Korea is suffering its worst drought in 100 years. Some observers doubt if things are quite that bad.

June 22, 2015: Organizers of the upcoming Gwangju Universiade (world student games) say North Korea sent an email on June 19 withdrawing its participation for political reasons; namely the imminent opening in Seoul of a UN office to monitor human rights in the DPRK.

June 23, 2015: The aforementioned new UN human rights field office in Seoul is officially inaugurated by the UN High Commissioner for Human Rights, Zeid Ra'ad Al Hussein.

July 6, 2015: After further talks in Kaesong, the Kim Dae-Jung Peace Center announces that former ROK First Lady Lee Hee-Ho will visit Pyongyang on Aug. 5-8, traveling by air.

July 14, 2015: ROK Unification Minister Hong Yong-pyo says the DPRK's denuclearization is not an "absolute prerequisite" for better inter-Korean ties and more exchanges, provided Pyongyang makes the right choice to walk on the path in that direction.

July 17, 2015: Bank of Korea (BOK), the ROK central bank, issues its annual report and estimates on the DPRK economy, which it reckons grew by 1.0 percent last year.

July 17, 2015: The ROK Ministry of National Defense (MND) says that, in a telephone call that day via the west coast hotline, it has for the first time invited the DPRK to join the 33 countries due to attend the multilateral Seoul Defense Dialogue (SDD) in September. MND suggests that the Ministry of People's Armed Forces (MPAF) send a vice-minister.

July 20, 2015: North Korea rejects the South's two recent contact suggestions, saying the atmosphere is not ripe given Southern hostility. Its Committee for the Peaceful Reunification of Korea (CPRK) is scathing about the SDD saying, "It is loathsome on its own that South Korea is hosting talks on security."

July 23, 2015: At North Korea's invitation, Southern NGOs go to Kaesong to discuss joint Aug. 15 events. Failing to agree anything concrete, they decide to meet again on July 31.

July 30, 2015: North Korea cancels the talks due in Kaesong next day on joint Liberation Day celebrations, [asking](#) rhetorically: “Will a joint event on Aug. 15 be possible amid a confrontation among kindred...?” This ends any prospect of organizing such events.

Aug. 2, 2015: MND [says](#) that on July 31 the KPA athletic guidance committee informed the International Military Sports Council (CISM) that the DPRK will not after all participate in the Military World Games to be held in Mungyeong, ROK on Oct. 2-11. No reason is given.

Aug. 4, 2015: A [landmine](#) blast maims two ROK sergeants on a routine patrol in the DMZ.

Aug. 5, 2015: Ex-ROK First Lady Lee Hee-ho, widow of Kim Dae-jung and an 18-strong delegation [fly](#) to Pyongyang, on an aircraft provided by an ROK low-cost carrier.

Aug. 8, 2015: Lee Hee-ho and her party [return](#) from Pyongyang, having not been able to meet either her nominal host Kim Jong Un or any other senior figures.

Aug. 10, 2015: UN Command (UNC) [accuses](#) North Korea of recently laying the mines that exploded on Aug. 4. Vowing “pitiless” but proportionate retaliation, the same day South Korea [reactivates](#) propaganda loudspeakers along the DMZ, silent since 2004.

Aug. 11, 2015: Headline in the Seoul daily *Korea Herald* [declares](#) that “All inter-Korean liberation events scrapped.” (In fact, as the article shows, despite several proposals nothing concrete had yet been organized.)

Aug. 17, 2015: Annual joint US-ROK military exercise *Ulchi Freedom Guardian (UFG)* [begins](#) as scheduled.

Aug. 17, 2015: After almost six months of dispute the two Koreas finally [agree](#) on wages at the joint venture Kaesong Industrial Complex (KIC). The North accepts the existing 5 percent ceiling on annual pay hikes, but the South agrees to recalculate this to include bonuses.

Aug. 19, 2015: *KCNA* headline, supposedly quoting the (not previously known) DPRK Joint National Organization of Working People, [avers](#): “Park Geun Hye Should Be Buried in Cemetery as Soon as Possible.” The article concludes: “No matter how glittering make-up she may put [sic], it is too late to prevent the foul smell from reeking off from her body interwoven with sycophancy, treachery, confrontation and hostility. What she should do for the nation is to leave Chongwadae, the doghouse of the US, shut her unshapely mouth and get her crime-ridden body buried in the ceremony [sic] at an early date.”

Aug. 20, 2015: KPA [fires](#) four artillery rounds across the DMZ. An hour later the ROKA ripostes with 29 rounds. KPA General Staff Department warns that it will launch military action unless the South stops psywar broadcasts and removes all facilities within 48 hours of 5:00pm today. 2,000 residents of Southern border areas in Yeoncheon, Paju, Gimpo, and Kanghwado are told to evacuate. The ROK military raises its security posture to the highest level of readiness.

Aug. 20, 2015: Kim Jong Un [convenes](#) an enlarged meeting of the Central Military Commission (CMC) of the Workers' Party of Korea (WPK). This declares a "semi-war state."

Aug. 21, 2015: Despite tensions, 83 South Koreans are in Pyongyang for a youth [soccer](#) tournament also involving China and Brazil. Seoul says it does not regard them as at risk.

Aug. 22, 2015: Before its 48 hour deadline expires, the DPRK suggests talks instead. High-level negotiators from both sides meet at Panmunjom. The meeting breaks up at [4:15am](#).

Aug. 23, 2015: Unnamed ROK military official [tells](#) *Yonhap* that two-thirds of the DPRK submarine fleet (50 out of 70) has put to sea, current location unknown. The same source says the KPA has doubled its artillery troops on the border, with the command to be combat ready.

Aug. 25, 2015: After marathon talks, haggard negotiators announce around 2:00am that a six-point [accord](#) has been reached. Family reunions will resume, as will other talks and NGO contacts. The South will switch off its loudspeakers, and the North lift its state of semi-war.

Aug. 28, 2015: Gallup poll taken on Aug. 25-27 [finds](#) that President Park's approval rating shot up by 15 percentage points since last week to 49 percent, its highest this year.

Aug. 28, 2015: President Park for the first time [attends](#) the joint ROK-US Integrated Firepower Exercise live-fire drill in Pocheon near the DMZ, the eighth of its kind. Its scenario is that the KPA fires on a South Korean guard post, prompting massive retaliation by ROK and US forces.

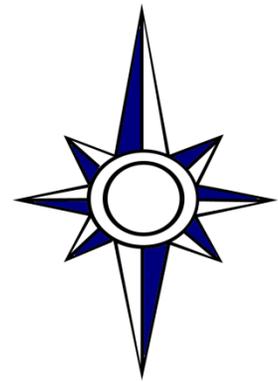
Aug. 28, 2015: Kim Jong Un again [convenes](#) a (much) enlarged WPK CMC. In somewhat ambivalent remarks he praises the KPA's "military muscle" but endorses Aug. 25's accord. Membership changes to the CMC are reported, but no names named.

Aug. 29, 2015: South Korea's Red Cross [proposes](#) talks at Panmunjom on Sept. 7 to arrange family reunions. North Korea promptly [agrees](#) on Aug. 30.

Aug. 30, 2015: DPRK media [report](#) Kim Jong Un sent a condolence message on the third anniversary of the death of Unification Church founder Moon Sun-myung to his family.

Sept. 2-4, 2015: President Park [visits](#) Beijing for China's military parade marking VJ day.

Sept. 5, 2015: *KCNA* headline [reads](#) "Rodong Sinmun Urges S. Korea Not to Do Foul Behavior." The WPK daily warns ROK rightwing media not to spoil the mood for dialogue.



**China-Korea Relations:
Prospects for a Strategic Partnership? ***

**Scott Snyder, Council on Foreign Relations/Pacific Forum CSIS
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Upon her arrival in Beijing on Sept. 2 for a summit with Xi Jinping on the occasion of newly established ceremonies marking the 70th anniversary of the end of World War II in Asia, Park Geun-hye said “I hope that the hardships the two countries went through in the last century will be a valued foundation of the friendship between the two countries, as well as the basis for closer bilateral cooperation to solve many challenges we face.” Meanwhile, Xi declared that China and South Korea are “good friends and strong promoters of regional and world peace” and that “looking at history, our two peoples’ struggle has been very similar in our quest to liberate our people.” Fine rhetoric, but it sounds more like the lines used for decades to describe China’s relationship with the other Korea, now conveniently transposed from Pyongyang to Seoul. One can’t help but wonder how leaders in Pyongyang feel about such language, which seems to have airbrushed North Korea out of the picture. Moreover, can Park’s and Xi’s airbrushing of their respective historical memories be the basis for a further convergence of interests?

Although Workers’ Party of Korea Secretary Choe Ryong Hae represented Pyongyang at the war commemoration ceremonies and military parade in Beijing, replacing Kim Jong Un with Park on the rostrum and the absence of direct leadership exchanges between China and North Korea indicates Pyongyang’s continued political isolation. Likewise, nominal head of state Kim Yong Nam “exchanged greetings” with President Xi at Moscow’s own WWII commemorations on May 9 according to the DPRK state media, but both Beijing and Pyongyang downplayed the exchange. DPRK missile tests on May 9 and June 14 demonstrated Kim Jong Un’s growing nuclear drive and his dismissal of Chinese calls for regional stability. At ASEAN meetings on August 5-6 in Kuala Lumpur, PRC and ROK Foreign Ministers Wang Yi and Yun Byung-se joined regional partners in opposing North Korean actions. Later, an artillery exchange between the two Koreas on Aug. 20 threatened to escalate tensions on the peninsula and underscored the ongoing deadlock in regional diplomacy. North Korea bristled at Chinese statements calling on the two Koreas to “exercise restraint.”

In fact, China and South Korea are conducting vibrant exchanges, while China’s interactions with North Korea are nowhere to be seen. Six months after Presidents Xi and Park declared the end of substantive talks, Commerce Ministers Gao Hucheng and Yoo Sang-jick signed the China-ROK Free Trade Agreement (FTA) in Seoul on June 1. Gao also met President Park and Foreign Minister Yun. China-South Korean political and military interactions indicate efforts to upgrade their partnership beyond trade. Top legislator Zhang Dejiang made a three-day visit to

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South Korea on June 10-12, meeting President Park, National Assembly Speaker Chung Ui-hwa, and ruling Saenuri Party leader Kim Moo-sung. On the military side, PRC Defense Minister Chang Wanquan met ROK Army Chief of Staff Kim Yo-hwan in Beijing on May 12, while ROK counterpart Han Min-koo met PLA Vice Chief of Staff Sun Jianguo at the Shangri-La Dialogue in Singapore later that month. PLA Navy Commander Adm. Wu Shengli met ROK Navy Chief of Staff Adm. Chung Ho-seop in Beijing on June 11. Despite agreements on bilateral security cooperation, however, such exchanges did not produce any pledges on how to address immediate security threats from North Korea. South Korea's military ties with the US emerged as a clear point of friction ahead of meetings between regional defense chiefs in May.

North Korea tests more missiles

North Korea's submarine-launched ballistic missile test on May 9 deflated hopes for "unconditional exploratory talks" with the DPRK – a suggestion raised by ROK nuclear envoy Hwang Joon-kook in separate meetings with US and Chinese counterparts days earlier. PRC envoy Wu Dawei met Hwang again in Beijing on May 28, and Japanese and US counterparts on May 26 and May 29. Pyongyang's test-firing of three short-range missiles on June 14 coincided with the 15th anniversary of the 2000 inter-Korean summit as well as President Park's planned state visit to Washington, subsequently postponed in the wake of the Korean MERS crisis.

At a July 28 press conference in Beijing, DPRK Ambassador Ji Jae Ryong declared North Korea's distinct status as a nuclear weapon-state and rejected talks aimed to freeze or dismantle its program. While Ji declined to elaborate on Pyongyang's coordination with China, US Special Representative for Korea Policy Sung Kim affirmed China's agreement on adding pressure on Pyongyang in line with the consensus reached at US-ROK-Japan talks on May 27. China also joined regional leaders in opposing Pyongyang's nuclear developments at ASEAN-led meetings on August 5-6 in Kuala Lumpur, attended by all foreign ministers of the Six-Party Talks member states, including the DPRK's Ri Su Yong. But while ASEAN+3 members explicitly referenced North Korea's recent launches, the ARF Chairman's Statement did not meet South Korean expectations for a direct condemnation of North Korea's nuclear and missile development.

Ahead of talks with Wu Dawei in late May, Hwang called for China's "constructive role" in an indication of Seoul's expectations for a more aggressive response from Beijing. President Park at her meeting with Zhang Dejiang in Seoul on June 11 also pushed for Chinese cooperation on DPRK denuclearization. But Pyongyang's leadership purges under Kim Jong Un have further raised concerns over the stability of Kim's regime, an issue that remains a primary constraint preventing China from exerting greater pressure. The PRC State Council warned against "instability and uncertainty" on the Korean Peninsula in its defense policy paper on May 26, released days after the DPRK Defense Commission's claimed to have made advances in developing weapons technology.

Beijing's limited response to Pyongyang's human rights violations is another challenge to international coordination on North Korea at the UN, where DPRK diplomats interrupted a meeting last April with statements criticizing defectors. China's *Global Times* featured an interview with Lu Chao of Liaoning Academy of Social Sciences challenging the credibility of

reports on Defense Minister Hyon Yong Chol's execution, supported by survey results showing that more than half of respondents did not believe the news of the execution.

THAAD, South China Sea emerge as obstacles to closer China-ROK security ties

Deepening China-South Korea political and military exchanges ahead of WWII and Korean War commemorations this year mark apparent progress in consolidating strategic aspects of the China-South Korean relationship. Following Zhang Dejiang's June visit to South Korea, National Assembly Vice Speaker Jeong Kab-yoon attended talks hosted by the National People's Congress in Beijing and met Zhang on July 7 to discuss ways to enhance parliamentary cooperation. China's top political advisor Yu Zhengsheng, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and ruling Saenuri Party lawmaker Won Yoo-chun made joint pledges in Beijing on Aug. 20 to expand exchanges between the CPPCC and National Assembly. China and South Korea also launched a new "Track 1.5" dialogue on July 6-7 in Zhuhai, led by Vice Foreign Minister Liu Jianchao and ROK counterpart Hong-kyun, who also met Executive Vice Foreign Minister Zhang Yesui in Beijing on July 8.

On the military side, ROK Defense Minister Han Min-koo and PLA Vice Chief of Staff Sun Jianguo in May pledged efforts to open a hotline between defense ministers, and proposed joint anti-piracy drills. Navy chiefs Wu Shengli and Chung Ho-seop on June 13 also called for expanding pragmatic cooperation. As part of the Navy's training missions, an ROK stealth destroyer made its first port call in Shanghai on Aug. 28, where President Park participated in ceremonies on Sept. 4 to mark the preservation of offices that housed Korea's provisional government during Japan's colonial rule. Security ties with China, however, emerged as a subject of domestic controversy in South Korea following the indictment of an ROK Navy lieutenant commander on July 10 for leaking military intelligence to Chinese agents.

Development of China-South Korea security exchanges remains hampered by the absence of agreements on addressing immediate threats from North Korea. This was a priority issue on ROK Defense Minister Han's agenda in Singapore, where he held talks with US, Japanese, and Chinese counterparts. At his meeting with Minister Han on May 31, PLA Vice Chief of Staff Sun Jianguo reasserted China's concerns over the potential placement of the US Terminal High Altitude Air Defense (THAAD) system in Korea. Frictions over THAAD resurfaced earlier that month after reported references to the system by US officials including Secretary of State John Kerry during his visit to South Korea. In an interview with *Phoenix TV* on May 12, ROK Ambassador to China Kim Jang-soo identified North Korea's nuclear and missile advancements as the primary driver of the current THAAD debate, arguing that North Korea's military buildup also undermines Chinese security interests. But while US lawmakers have more explicitly responded to Chinese concerns by calling for more active cooperation on North Korea, THAAD remains a sensitive issue among South Korean counterparts.

South Korea's position on the South China Sea was another point of tension in the defense talks in Singapore, ahead of which Chinese Ambassador to the United States Cui Tiankai warned against "anti-China" alliances amid mounting frictions with the US. Seoul's low-profile approach to the South China Sea issue has led to what is perceived as US pressure on the ROK to

take a more active stance, as demonstrated by Assistant Secretary of State Daniel Russel's call for Seoul to "speak out" against Chinese behavior in the South China Sea in June ahead of the anticipated Obama-Park summit. South Korean public debate on the South China Sea, however, reveals mixed attitudes on how South Korea should position itself on this issue amidst conflicting pressures between China and the United States.

New PRC ambassador meets DPRK officials, but not Kim Jong Un

Since taking office in Pyongyang in March, PRC Ambassador Li Jinjun has met a number of DPRK officials including Minister of Foreign Trade Ri Ryong Nam on April 23, Public Health Minister Kang Ha Guk on April 29, Vice Foreign Minister Ri Gil Song on May 4, and Vice President of the Presidium of the Supreme People's Assembly Yang Hyong Sop on May 6. While these exchanges have facilitated joint affirmations of the traditional alliance, they have also focused on promoting new commercial opportunities through China's \$40 billion "One Belt, One Road" project. Xi's Silk Road project, however, appears to have limited prospects in the northeast, and the strain in political ties with Pyongyang places further constraints on North Korea's participation. Diplomatic relations suffered an additional setback in June after Chinese guards shot dead a suspected North Korean defector near Nanping, where a DPRK Army deserter's fatal shooting of four Chinese last December led Beijing to issue a formal complaint.

Moreover, despite the formal welcome of a new Chinese ambassador to Pyongyang among Cabinet-level government officials, the absence of public opportunities to call on Kim Jong Un is evidence of the deep freeze in leadership ties between the two countries. There were no reported meetings between Chinese officials and DPRK Foreign Minister Ri Su Yong when he traveled to Beijing in June on the way to Africa. Xi Jinping's tour of northeast China in late July drove speculation over efforts to promote cross-border ties with North Korea, but the visit ultimately was focused largely on reviving the domestic economy. The 62nd anniversary of the end of the Korean War in August provided an opportunity for joint recognition of the Chinese People's Volunteers (CPV). In a sign that some construed as a possible signal of warming between the two sides, Kim Jong Un extended his respects to the CPV in a speech at the fourth National Conference of War Veterans in Pyongyang on July 25, while PRC Ambassador Li Jinjun visited a cemetery of Chinese soldiers in Kaesong on Aug. 1.

In a June 30 interview with *Yonhap*, Yang Xiyu of the China Institute of International Studies stressed Pyongyang's nuclear policy as the primary source of fraying China-DPRK ties under Kim Jong Un, who has failed to offer any public pledges on denuclearization since taking power four years ago. After talks between Foreign Ministers Wang Yi and Yun Byung-se in Kuala Lumpur on Aug. 6, ROK officials also reported increased frustration among Chinese counterparts over Pyongyang's behavior. Yet, despite expressions of disappointment from Chinese officials and academics, the South Korean media continues to highlight contradictions in China's own behavior toward its North Korean ally in the name of Chinese security interests.

China-ROK trade and investment prospects under the FTA and AIIB

The China-ROK FTA was signed on June 1 after three years of negotiations. In Seoul, Commerce Ministers Gao and Yoo also discussed other regional trade deals including the

Regional Comprehensive Economic Partnership and the trilateral FTA with Japan. China's biggest bilateral FTA in terms of trade volume, the China-ROK FTA is expected to raise Chinese GDP by 0.3 percent according to PRC Vice Trade Minister Wang Shouwen. For South Korea, the trade deal is projected to produce a 0.96 percent gain in real GDP and 53,800 new jobs within 10 years after implementation. According to the ROK trade ministry, the FTA will raise annual bilateral trade to more than \$300 billion, a 39.5 percent increase from levels at the start of FTA negotiations in 2012. China and South Korea have pledged to eliminate tariffs on more than 90 percent of imports within 20 years of the FTA implementation, which is yet to be approved by their parliaments. During Commerce Minister Gao's and top legislator Zhang Dejiang's separate visits to Seoul in June, President Park called for joint efforts to push forward the domestic ratification process.

But China's slowing economy has meant a decline in ROK exports to China this year, down 8.8 percent in January-August compared to the same period last year. Moreover, China's economic slowdown is the major factor influencing downward projections in South Korean GDP growth targets for 2015 from around 3 percent to around 2 percent. While South Korea's total overseas direct investment (ODI) grew by 12.1 percent in January-June, investment flows to China declined by 32.1 percent. South Korea engaged in a week of promotional activities in May to boost trade and investment, including a meeting in Seoul between Korean firms and PRC officials and business representatives. A particular trend of concern is the slowdown in South Korean IT exports to China, which grew by 1.4 percent last year compared to 15.8 percent in 2013 according to KITA, reductions attributed partly to China's increased reliance on domestic goods and technologies. South Korea is moving to draw Chinese investment in IT sectors through such efforts as a KOTRA-hosted investment seminar in Shenzhen in August, and an agreement signed between Seoul Mayor Park Won-soon and Chinese IT company iSoftStone in Beijing to invest \$8.58 million in South Korean startups.

Despite what officials have hailed as tangible benefits from the FTA, South Korean experts still caution against intensified competition with Chinese companies as China shifts to higher value-added industries. Korean tech leaders Samsung and LG have already lost ground in their respective global market shares to Chinese rivals such as Lenovo, Huawei, and Xiaomi as Beijing more aggressively pursues its "going out" strategy of ODI, which is projected to surpass China's inward FDI this year. While China's FTA with South Korea is its first with separate chapters on electronic trade, finance, and communications according to ROK trade officials, the overall benefits of the agreement may be overstated given the relatively narrow scope and slow pace of liberalization compared to other free trade deals.

The China-ROK trade deal follows South Korea's joining of the Asian Infrastructure Investment Bank (AIIB), the charter of which was signed in Beijing on June 29. South Korea became the AIIB's fifth-largest shareholder, securing a 3.81 percent stake with a contribution of \$750 million of paid-in capital over the next 5 years. But South Korea's participation remains constrained by transparency concerns and the geopolitical implications of China's de facto veto power. South Korea's entry into the AIIB has also raised pressures to join the TPP, the conclusion of which Daniel Russel in May identified as Washington's most important policy goal in the region this year. But while Chinese media coverage of the AIIB has largely focused on the decisions to join by US allies and the apparent marginalization of the US in Asian

economic matters, South Korea is taking steps to support the AIIB's coordination with existing regional partners. President Park met Asia Development Bank (ADB) President Nakao Takehiko in Seoul in May, and called for the ADB's cooperation with South Korea and the AIIB. Finance Minister Choi Kyung-hwan and British counterpart George Osborne in June also agreed to cooperate on AIIB transparency as both countries seek to emerge as RMB trading hubs.

MERS interrupts China-South Korean exchange

The Middle East Respiratory Syndrome (MERS) pandemic hit the China-South Korean tourism industry this summer after a South Korean man traveling to Guangdong via Hong Kong in late May was confirmed as the first case in China. PRC health authorities issued a high alert while South Korea's major airlines cut their flights to and from China in June. Although the mainland did not follow Hong Kong, Macau, and Taiwan in issuing travel warnings, Chinese media in June reported on trip cancellations by up to 100,000 Chinese tourists intending to travel to South Korea. ROK tourism officials have announced plans to spend 30 billion won on campaigns to recover the industry, particularly targeting Chinese, who account for 54.7 percent of all foreigners in South Korea according to government data in July. In this effort, Hotel Shilla CEO Lee Boo-jin reached out to Chinese Foreign Ministry officials and executives of state-run travel firms in meetings in Beijing on June 30.

Despite the drop in tourism during the MERS crisis, China-South Korean cultural exchanges are driving developments in other emerging sectors including e-commerce and entertainment industries. A survey released in May ranked South Korea as the second most popular overseas source for Chinese online shopping after the United States. Alibaba Group head Jack Ma met ROK Finance Minister Choi Kyung-hwan in Seoul on May 18 to launch an e-shopping platform in South Korea that will promote access to the Chinese market. The Busan International Film Festival in June also initiated a joint project with China's biggest online video-streaming service Youku, while TV show "Super Idol," a joint production by South Korea's MBC Music and China's TV Zone, premiered in South Korea and China in July. As part of an agreement between Presidents Xi and Park in July last year on people-to-people exchanges, a delegation of 100 South Korean young leaders led by the Korea Foundation chief visited Beijing and Qingdao on Aug. 17-21 for meetings with Chinese officials and other counterparts.

Finally, the deepening Sino-South Korean trade relationship is also reflected at the local level. Trade Minister Yoon Sang-jick and Sichuan Gov. Wei Hong signed a Memorandum of Understanding (MoU) on economic and trade cooperation on May 21, South Korea's third such agreement with Chinese provinces after Guangdong and Shanxi. The latest agreement is seen as part of Seoul's measures to boost exports and tap into China's inland regional markets in light of Xi's Silk Road initiative. ROK Ambassador to China Kim Jang-soo also met Hebei party chief Zhou Benshun on the sidelines of an investment fair on May 18 to seek local government support in reducing red tape and strengthening infrastructure for South Korean investment.

China and South Korea seek to revive DPRK commerce

China-DPRK trade has continued to decline despite the introduction of limited market reforms in North Korea since 2014 as reported in a US congressional report in late July. According to the

Korea Development Institute (KDI), North Korea's trade with China fell by 12.5 percent in January-May, more than twice the rate of decline in the same period last year. Such figures suggest a continued downward trend in bilateral trade after a 2.76 percent decline to \$6.36 billion in 2014 overall, the first annual decline since 2009 according to KITA. As North Korea's biggest supplier of crude oil, China has also made no official crude oil shipments to the North since 2014. The PRC Foreign Ministry on June 18, however, indicated China's willingness to provide aid in response to what the DPRK state media reported as the North's worst drought in 100 years. PRC Ambassador Li Jinjun pledged China's agricultural cooperation in this effort during a visit to a jointly managed crop field. In talks between Li and Health Minister Kang Ha Guk in April, China further proposed to dispatch a medical team to North Korea this year to support the upgrading of healthcare services.

Given waning business prospects with North Korea, both China and South Korea are engaging in parallel efforts to revive cross-border commercial ties. While Ambassador Li Jinjun sought to boost investor confidence in the North in a May 13 meeting with Chinese businessmen in North Korea, South Korea's Chamber of Commerce in China has also invited Chinese businessmen to its investor fair at the Kaesong Industrial Complex in late October, aimed to promote Kaesong-produced goods to the Chinese market under the China-ROK FTA. Among South Korea's trade pacts, the FTA with China will bring the greatest benefits to Kaesong, where 310 products will enjoy preferential tariffs once the FTA enters into force. KDI in June further proposed the creation of a South Korean small and medium enterprise (SME) industrial park in Chinese border cities like Hunchun, which offers tax incentives to foreign investors and a supply of high-quality North Korean factory workers who are paid less than Chinese but more than twice their counterparts in Kaesong. The expansion in North Korean labor compounds on the Chinese side of the border has drawn recent attention amid DPRK efforts to boost hard currency earnings. Recent steps to boost trade with North Korea, however, appear to challenge the implementation of international sanctions as well as South Korea's own restrictions on cross-border exchange since the 2010 *Cheonan* sinking.

In addition to the China-ROK FTA, the AIIB has provided a renewed push for reviving the North Korean economy under Xi's and Park's respective Silk Road and Eurasia initiatives, which was also a subject of conversation between the two during Park's September visit to Beijing. On the sidelines of the signing of the AIIB charter in June in Beijing, ROK Finance Minister Choi Kyun-hwan pledged to support North Korea's infrastructure development through the initiative. But for the second time since 2003, North Korean opposition in June thwarted Seoul's efforts to join the Organization for Cooperation between Railways, a prerequisite for building a trans-Asian railway to Europe by linking to the trans-Siberian railway. President Park made her latest call for North Korean reform at an opening ceremony for the restoration of South Korea's section of the inter-Korean railroad on Aug. 5. As part of China's effort to strengthen regional infrastructure linkages, China on Aug. 5 also opened a land-to ocean route linking Heilongjiang Province with South Korea via a Russian port in Primorsky Krai.

The 70th anniversary of World War II and prospects for trilateral cooperation with Japan

Following the first trilateral meeting in three years between PRC, ROK, and Japanese foreign ministers in March, Foreign Minister Yun Byung-se and Secretary-General of the Trilateral

Cooperation Secretariat Iwatani Shigeo on Aug. 13 pledged to push for the resumption of the state leaders' summit. The September Park-Xi summit provided these plans with a further push as both sides agreed to aim for a resumption of a trilateral leaders' meeting among China, Japan, and South Korea in Seoul by late October or early November. The three parties held a meeting of finance ministers and central bank heads on the sidelines of ASEAN+3 talks in Azerbaijan on May 3, adopted an action plan for environmental cooperation for 2015-2019 in Shanghai last April, and held consultations on counter-terrorism on May 15 in Beijing. President Park in a May 13 meeting with Japanese business representatives voiced support for a trilateral FTA with China, for which the seventh and eighth round of negotiations were held in South Korea and China in May and July.

Although both China and South Korea expressed dissatisfaction with Abe's Aug. 14 statement commemorating the end of WWII, both are moving toward restoration of high-level dialogue with Japan despite these differences. Zhang Dejiang's June visit to South Korea focused on efforts to issue the first joint statement from the two parliaments marking the end of WWII, as agreed between Zhang and National Assembly Speaker Chung Eui-hwa in Beijing in December. During meetings between Rep. Na Kyung-won, chairwoman of the National Assembly Foreign Affairs Committee, and PRC counterpart Fu Ying and Foreign Ministry officials in Beijing on May 27, China also extended its support for South Korea's opposition to Tokyo's bid to gain UNESCO World Heritage status for 19th century industrial sites. Beijing has stepped up its efforts to counter Japan's role in commemorations of WWII this year, as demonstrated by Ambassador Li Jinjun's Aug. 28 article in North Korea's *Korea Today* praising the Chinese and Korean fight against Japanese aggression.

Conclusion: regional diplomacy at the crossroads

Park Geun-hye's participation in China's 70th anniversary celebrations of the end of WWII in September affirmed Seoul's ties with China as a key FTA partner and AIIB founding member, while enabling Seoul to go on the offensive to win Beijing's acceptance of a Seoul-led reunification of the Korean Peninsula. But the escalation of inter-Korean tensions in late August also revealed the dilemmas underlying Seoul's regional diplomacy –and the apparent absence of either options or influence in Beijing's policies toward Pyongyang – that continue to undermine coordination on North Korea and other security challenges. Park's visit to China has also reignited questions among some observers about South Korea's regional orientation and long-term commitment to its alliance with the US – something Seoul managed to avoid with the postponement of Park's state visit to Washington last June. Regional commemorations of WWII have also sharpened domestic debates in South Korea over Seoul's adjustments to the postwar security order.

China-Japan tensions, troubled South Korea-Japan relations, and the consolidation of the US-Japan alliance after Abe's April visit to Washington, have intensified South Korean media debates over competing “pressures” from China and the US to influence Seoul's policy decisions. In line with South Korean debates, a *China Daily* editorial on Aug. 18 by a Chinese Academy of Social Sciences analyst stressed the significance of Park's visit to Beijing for undermining not just security threats from Pyongyang but also Tokyo's regional diplomacy. Both ROK and US officials, however, have clearly rejected claims of South Korea's “zero-sum

game” between China and the US; the State Department issued public statements refuting the idea that Washington sees improved China-South Korea ties as threatening the US-ROK alliance. However, China’s public campaign to pressure South Korea not to join THAAD and Beijing’s efforts to lure President Park to Beijing as a headliner for China’s military parade are indications that China may perceive South Korea as a “weak link” among US security partners that will eventually rely on Beijing more than Washington for its needs. South Korea has made clear for now that its ability to engage China lies firmly on the foundations provided by a strong US-ROK security alliance; however, it is reasonable to expect that Beijing will continuously test Seoul’s allegiances on issues large and small.

Chronology of China-Korea Relations

May – August 2015

May 2, 2015: Chinese state media confirms resumption of cross-border train tours to DPRK.

May 3, 2015: PRC, ROK, and Japanese finance ministers and central bank heads meet on the sidelines of ASEAN+3 talks in Baku, Azerbaijan.

May 4, 2015: PRC Ambassador to the DPRK Li Jinjun meets Vice Foreign Minister Ri Gil Song in Pyongyang.

May 6, 2015: PRC and ROK nuclear envoys Wu Dawei and Hwang Joon-kook meet in Beijing.

May 6, 2015: PRC Ambassador to DPRK Li Jinjun meets Yang Hyong Sop, vice president of North Korea’s Presidium of the Supreme People’s Assembly.

May 9, 2015: PRC state media reports plans to launch train tours from Dandong to Pyongyang from May 26.

May 11, 2015: PRC Foreign Ministry calls for restraint after North Korea announces a successful submarine-launched ballistic missile test.

May 12-13, 2015: Seventh round of China-Japan-ROK FTA talks are held in South Korea.

May 12, 2015: PRC Defense Minister Chang Wanquan and ROK Army Chief of Staff Gen. Kim Yo-hwan meet in Beijing.

May 12, 2015: ROK Ambassador to China Kim Jang-soo in an interview with Hong Kong’s *Phoenix TV* dismisses China’s concern over Terminal High Altitude Area Defense (THAAD).

May 13, 2015: PRC Foreign Ministry spokesperson denies having any information on the execution of DPRK Defense Minister Hyong Yong Chol.

May 13, 2015: South Korea’s Ministry of Oceans and Fisheries announces plans to modernize Pyeongtaek port to accommodate Chinese tourism.

May 15, 2015: China-Japan-ROK consultation on counter-terrorism is held in Beijing.

May 18, 2015: ROK Finance Minister Choi Kyung-hwan and Alibaba Group head Jack Ma attend a launching ceremony for Alibaba's shopping platform in South Korea.

May 18, 2015: ROK Ambassador to China Kim Jang-soo meets Hebei Province party chief Zhou Benshun on the sidelines of an investment fair in China.

May 21, 2015: South Korea's Foreign Ministry calls for effective Chinese measures against illegal fishing near the inter-Korean sea border.

May 21, 2015: China's Foreign Ministry calls for restraint after the DPRK National Defense Commission's claims on advances in nuclear weapons technology.

May 21, 2015: Officials and representatives from 61 Chinese firms attend a business meeting with South Korean firms in Seoul.

May 21, 2015: South Korea's Trade Minister Yoon Sang-jick and China's Sichuan Province Gov. Wei Hong sign an MOU on economic and trade cooperation.

May 26, 2015: South Korea's Cabinet approves the China-ROK FTA.

May 27, 2015: Rep. Na Kyung-won, chair of ROK National Assembly Foreign Affairs Committee, meets PRC counterpart Fu Ying and PRC Foreign Ministry officials in Beijing.

May 28, 2015: PRC and ROK nuclear envoys Wu Dawei and Hwang Joon-kook meet in Beijing.

May 28, 2015: South Korea's Ministry of Trade, Industry and Energy announces that it has recommended punitive tariffs on Chinese steel beam imports.

May 29, 2015: A 44-year old South Korean man who traveled to Guangdong via Hong Kong is confirmed to be infected with MERS.

May 31, 2015: Adm. Sun Jianguo, vice chief of staff of China's PLA, and ROK Defense Minister Han Min-koo meet on the sidelines of the 14th Shangri-La Dialogue in Singapore.

June 1, 2015: PRC Commerce Minister Gao Hucheng and ROK counterpart Yoon Sang-jick sign the China-ROK FTA in Seoul. Presidents Xi Jinping and Park Geun-hye exchange congratulatory messages.

June 3, 2015: Chinese authorities announce that China and Hong Kong have quarantined 88 people including 14 South Koreans who had contact with a Korean MERS patient in China.

June 4, 2015: South Korea's government bills on the ratification of FTAs with China, Vietnam, and New Zealand are submitted to the National Assembly.

June 4, 2015: US Ambassador to South Korea Mark Lippert at a forum hosted by the Parliamentarians Society of the ROK calls for Chinese cooperation on DPRK denuclearization.

June 5, 2015: PRC Embassy in Pyongyang pledges agricultural cooperation with North Korea.

June 8, 2015: Chinese fisherman sentenced to one year in prison for illegal fishing in South Korean waters.

June 9, 2015: Hong Kong and Macau announce they will issue their second-highest travel warnings to travelers to South Korea in wake of the MERS outbreak.

June 10, 2015: South Korea's Financial Services Commission approves China's Anbang Insurance Group Co.'s acquisition of a 63 percent stake in Tonyang Life Insurance.

June 11, 2015: Suspected North Korean defector is shot dead by Chinese border guards.

June 10-12, 2015: Zhang Dejiang, chairman of the NPC Standing Committee, meets President Park Geun-hye, National Assembly Speaker Chung Ui-hwa, and ruling Saenuri Party leader Kim Moo-sung in South Korea.

June 11, 2015: PLA Navy Commander Adm. Wu Shengli and ROK Navy Chief of Staff Adm. Chung Ho-seop meet in Beijing.

June 12, 2015: China reports that Kim Jong Un sent his condolences following the June 1 Yangtze cruise ship sinking that killed more than 430 people.

June 12, 2015: China's Civil Aviation Administration orders measures against the outbreak of MERS in South Korea.

June 15, 2015: PRC Foreign Ministry calls for the easing of tensions a day after North Korea test-fires three short-range missiles into the East Sea.

June 16, 2015: PRC Ambassador to Hungary Xiao Qian is appointed as new deputy envoy to the Six-Party Talks.

June 18, 2015: China's Foreign Ministry indicates China's willingness to provide food aid to North Korea after the *KCNA* reports North Korea's worst drought in 100 years.

June 18, 2015: DPRK Foreign Minister Ri Su Yong arrives in Beijing en route to Africa.

June 19, 2015: ROK Foreign Minister Yun Byung-se at a parliamentary session in Seoul pledges to strengthen ties with both China and the United States.

June 20, 2015: North Korea launches a charter flight service to Yanji.

June 22, 2015: Busan International Film Festival and China's biggest online video service Youku begin a 2015-2017 project to promote emerging Asian directors.

June 25, 2015: South Korean man diagnosed with MERS in China is released from the hospital.

June 29, 2015: ROK Finance Minister Choi Kyung-hwan attends the signing of the Asia Infrastructure Investment Bank (AIIB) charter in Beijing.

July 2, 2015: PRC Foreign Ministry spokesperson denies information on Kim Jong Un's reported invitation to China's Sept. 3 military parade marking the end of World War II.

July 6-7, 2015: PRC Vice Foreign Minister Liu Jianchao and ROK Deputy Foreign Minister Kim Hong-kyun meet in Zhuhai.

July 7, 2015: Vice Speaker of the ROK National Assembly Jeong Kab-yoon meets top PRC legislator Zhang Dejiang in Beijing.

July 8, 2015: PRC Executive Vice Foreign Minister Zhang Yesui and ROK Deputy Foreign Minister Kim Hong-kyun meet in Beijing.

July 10, 2015: A ROK Navy lieutenant commander is indicted for leaking military secrets to an unidentified Chinese national.

July 21, 2015: ROK nuclear envoy Hwang Joon-kook meets PRC counterpart Wu Dawei and other officials in China.

July 22, 2015: A sea route for postal services between Weihai and Incheon is reopened seven years after it was shut down due to limited demand.

July 25, 2015: Kim Jong Un in a speech at the fourth National Conference of War Veterans pays tribute to the Chinese People's Volunteers.

July 27, 2015: Kim Jong Un sends a wreath to the cemetery of the Chinese People's Volunteer Army on the occasion of the 62nd anniversary of the end of the Korean War.

July 30-31, 2015: Korea Trade and Investment Promotion Agency holds an investor fair in Shenyang to promote South Korean food.

Aug. 1, 2015: PRC Ambassador to North Korea Li Jinjun visits a cemetery of Chinese soldiers killed in the Korean War in Kaesong.

Aug. 3, 2015: ROK Vice Foreign Minister Cho Tae-yong at a Korea University forum calls for historical reconciliation between China, South Korea, and Japan.

Aug. 4, 2015: South Korea's Ministry of Oceans and Fisheries signs a deal with a Chinese consortium led by state-run Shanghai Salvage for the recovery of Sewol ferry.

Aug. 4, 2015: Chinese IT company iSoftStone signs an agreement with Seoul Mayor Park Won-soon in Beijing to invest \$8.58 million in South Korean startups.

Aug. 5-6, 2015: PRC, ROK, and DPRK foreign ministers attend ASEAN-led meetings in Kuala Lumpur. PRC and ROK Ministers Wang Yi and Yun Byung-se hold talks on the sidelines.

Aug. 5, 2015: China opens a land-to-ocean route linking Heilongjiang Province with South Korea via a Russian port in Primorsky Krai.

Aug. 7, 2015: Chinese authorities acquit 12 of 14 South Koreans detained since December 2014 on drug trafficking charges.

Aug. 12, 2015: Shanghai Salvage sends recovery team to Jindo Island for Sewol ferry salvage operations.

Aug. 13, 2015: Foreign Minister Yun Byung-se and outgoing Secretary General of the Trilateral Cooperation Secretariat Shigeo Iwatani vow to advance China-ROK-Japan cooperation.

Aug. 17-21, 2015: Korea Foundation chief leads a 100-member delegation of South Korean young leaders to Beijing and Qingdao.

Aug. 20, 2015: Blue House confirms President Park Geun-hye's visit to China on Sep. 3-5 to participate in 70th anniversary WWII commemorations.

Aug. 20, 2015: Saenuri Party lawmaker Won Yoo-chun leads a delegation to China and meets Yu Zhengsheng, chairman of the National Committee of the CPPCC.

Aug. 20-23, 2015: Chinese companies participate in fifth Rason International Trade Exhibition.

Aug. 21, 2015: PRC Foreign Ministry calls for restraint after an exchange of artillery fire between the two Koreas.

Aug. 24-25, 2015: Former ROK Prime Minister Lee Soo-sung and Chairman of the 21st Century ROK-China Exchange Association Kim Han-kyu meet PRC Vice President Li Yuanchao and attend the 15th China-ROK Elite Forum in Beijing.

Aug. 25, 2015: China's Foreign Ministry confirms that Workers' Party of Korea secretary Choe Ryong Hae will attend China's 70th anniversary WWII commemorations.

Aug. 25, 2015: China's Foreign Ministry expresses support for inter-Korean talks.

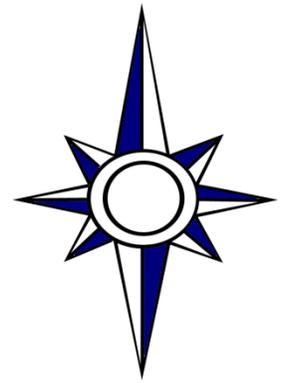
Aug. 28, 2015: China's Defense Ministry denies rumors of the PLA's troop reinforcement on the China-DPRK border in response to inter-Korean tensions.

Aug. 28, 2015: ROK stealth destroyer *Gang Gam Chan* arrives in Shanghai as part of Navy training missions.

Aug. 28, 2015: PRC Ambassador to the DPRK Li Jinjun in North Korea's *Korea Today* praises the Chinese and Korean fight against Japan's WWII aggression.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-China Relations: To August 15 – Toward September 3*

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The summer months witnessed a parade of senior Liberal Democratic Party figures traveling to Beijing including Vice President Komura Masahiko, former Minister of Finance Nukaga Fukushiro, and General Council Chairman Nikai Toshihiro. Nikai led a 3,000-person business delegation, met President Xi Jinping privately and gave him a personal note from Prime Minister Abe Shinzo. In July, National Security Council Secretary General Yachi Shotaro met State Councilor Yang Jiechi and Premier Li Keqiang. The visits were aimed at sustaining positive political trends, securing an invitation for Abe to visit China, and anticipating issues related to Abe's August statement commemorating the end of the war. Elsewhere, security concerns over the East China Sea and South China Sea continued to beset relations. Meanwhile, China prepared to celebrate the 70th anniversary of the Chinese People's War of Resistance against Japanese Aggression and the World Anti-Fascist War with a victory parade on Sept. 3.

High-level political engagement

The engagement by senior Liberal Democratic Party (LDP) leaders began in early May. On May 4, a supra-party delegation of the Japan-China Parliamentarians Friendship Union, led by LDP Vice President Komura Masahiko and Komeito deputy leader Kitagawa Kazuo, visited Beijing. They met Tang Jiaxuan, former state councilor and head of the China-Japan Parliamentarians Friendship Union. Referencing Prime Minister Abe's remarks to the US Congress, Tang noted the absence of the words "*shinryaku*" ("aggression") and "*owabi*" ("heartfelt apology") that former Prime Minister Murayama used in his statement marking the 50th anniversary of the end of the war. Anticipating Abe's Aug. 15 statement, Tang emphasized the importance of appropriately managing the issues of history. Komura replied that Abe's remarks would be based on acute reflection and would underscore Japan's unchanging path as a peaceful country and its contributions to world peace. Tang also expressed concern with security legislation pending in the Diet. Komura replied that the legislation is not aimed at any particular country. Komura also called for greater transparency with regard to the Asian Infrastructure Investment Bank (AIIB).

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On May 5, the Japanese delegation met Zhang Dejiang, the third-ranking member of the Politburo in the Great Hall of the People. Zhang welcomed the Japanese parliamentarians by observing that relations had taken “an initial step toward improving” and that their visit would enable relations to continue to make progress. At the same time, Zhang expressed the hope that Abe’s Aug. 15 statement would find acceptance among the Chinese people and the world. Komura repeated his talking points that Abe’s remarks would be based on acute reflection and Japan’s unchanging path as a peaceful country and its contributions to world peace. The discussion also touched on China’s AIIB, with Zhang expressing his hope for Japan’s cooperation and Komura pointing to the need for greater transparency in the bank’s organization and management structures. The delegation met individuals from People’s Liberation Army’s Academy of Military Science on May 5 and returned to Tokyo on May 6.

Former Minister of Finance Nukaga Fukushima met Zhu Zhensheng, the fourth-ranking member of the Politburo and Chairman of the Chinese People’s Political Consultative Conference, in the Great Hall of the People on May 8. Zhu focused on history and Abe’s Aug. 15 statement. Nukaga afterward told reporters that Zhu had expressed dissatisfaction with Abe’s remarks in Jakarta and in Washington because he had failed to touch on Japan’s wartime aggression. He quoted Zhu as saying “If Japan does not feel sorry for having caused tremendous misfortune to other countries, we have no choice but to show concern that it may repeat the same mistakes.” Nukaga noted that Abe had repeatedly stated that he would uphold the positions on history that had been articulated by previous governments. Japanese sources reported that the one-hour meeting was conducted in a “calm atmosphere” despite the discussion of sensitive history issues, with Zhu praising recent progress in improving relations. Earlier, on May 6, Nukaga met with Tang Jiaxuan, who praised Nukaga for working tirelessly since normalization to improve China-Japan relations.

At the end of May, LDP heavyweight Nikai Toshihiro led a 3,000-member delegation of Japanese business leaders and Japan-China Friendship organizations to Beijing. On May 23, during an exchange ceremony in the Great Hall of the People, President Xi Jinping made what was characterized as an unscheduled appearance. Xi praised the Japanese delegation as representing “Japanese with a sense of justice and reason” and called on its members “to jointly oppose attempts to distort history.” While denouncing Japan’s past militarism and the suffering inflicted on the Chinese people – “it is not forgivable to conceal the past crime of aggression by militarist Japan and distort historical truth” – Xi noted that “the Japanese people were also victims.” He pointed to the long history of China-Japan exchanges and called for continuing efforts to strengthen people-to-people exchanges, especially when “the two countries’ relations are not working favorably.” He said, “China places great importance to developing Sino-Japanese relations. China has not changed this basic policy and will not change it in the future.”

At the gathering, Nikai met privately with Xi for 10 minutes and handed over a personal letter from Prime Minister Abe. Afterward, Nikai quoted Xi as saying “I have met Abe twice and am expecting that it will bring about positive results ... please send my best regards to Prime Minister Abe.” The following day, Nikai told a press conference that he had talked with the prime minister by telephone and that Abe was “paying attention to our meeting, he was very pleased.” Xi’s remarks to the Japanese delegation were carried as front page news by the *People’s Daily* and other Chinese media sources, including the PLA’s *Liberation Daily*. Chief

Cabinet Secretary Suga Yoshihide, commenting on Xi's remarks, told reporters that "Bilateral relations will improve if we steadily promote the mutually beneficial strategic relationship." Nikai also spoke at Tsinghua University and traveled to Guangdong and Darien.

On May 27, Nikai met Abe at the Kantei and reported on his trip. Later, on May 30, Nikai told a television audience that during his meeting with Xi, the president had observed that he had met with Abe twice and "wants to do so again" and that it was important for both sides to work toward the realization of a third meeting.

Advancing an Abe-Xi meeting

Yachi Shotaro, secretary general of the National Security Secretariat visited Beijing in mid-July. On July 16, he met for five and a half hours with State Councilor Yang Jiechi at the Diaoyutai State Guesthouse. According to media reports, Yang told Yachi that "China attaches great importance to your trip and is preparing for high-level political dialogue between the two countries." Yang proposed promoting "exchanges in all aspects," but also criticized Japan's security legislation as fueling "doubts and questions among neighboring countries and the international community." Yachi replied that bilateral relations are improving and that their meeting would set up an important channel for communication. Media speculated that Yachi also briefed Yang on Abe's Aug. 15 statement and that the two diplomats explored the timing of an Abe visit to China in early September. On July 17, Yachi met Prime Minister Li Keqiang in the Chinese Communist Party (CCP) headquarters in Zhongnanhai. Yachi asked Li for China's cooperation in arranging a trilateral China, Japan, ROK summit. According to Chinese Foreign Ministry sources, Li defined 2015 as a year of "both challenges and chances" in the bilateral relationship. He emphasized the importance China attaches to strengthening ties and the mutually beneficial strategic partnership with Japan. Yachi also met Defense Minister Chang Wanquan. Both agreed on the earliest possible implementation of the bilateral liaison mechanism aimed at preventing accidental incidents at sea and in the air. Yachi briefed Abe on his visit at the Kantei on July 21.

Later, the *Mainichi Shimbun*, in a July 23 story attributed to "diplomatic sources in Beijing," reported that Yang had set three conditions for an Abe visit to China when he met Yachi: adherence to the four key political documents that frame the bilateral relationship, adherence to the Murayama statement, and an indication Abe will not visit the Yasukuni Shrine.

Preparations for the 70th anniversary: China

On June 23, the People's Liberation Army (PLA) announced plans for the 70th anniversary victory parade on Sept. 3, marking the Chinese People's War of Resistance against Japanese Aggression and the World Anti-Fascist War. Also, to celebrate the historic victory under the leadership of the CCP, the government's propaganda campaign featured the release of television documentaries, plays, motion pictures, and collections of historical documents and letters. At the Museum of Chinese People's Resistance against Japanese Aggression, a special exhibit of captured Japanese war artifacts went on display beneath a glass floor, a 21st century version of the Shogunate *fumie* practice.

Commenting on the much-anticipated Aug. 15 statement to be released by Japan, Foreign Ministry spokesperson Lu Kang, told reporters “Not just Japan’s Asian neighbors, including China, are highly concerned about Japan’s remarks and attitude on the history issue ... We hope that the Japanese leader can adopt a correct attitude, deeply reflect on its history of aggression, honor previous Japanese Cabinets’ statements and commitments to history, stick to the path of peaceful development and take concrete actions to win the trust of China and other Asian neighbors and the international community.”

In its July edition, the Japanese magazine *Facta* reported that prior to his May visit to China, Nikai had been asked by Chief Cabinet Secretary Suga to convey to President Xi that Prime Minister Abe’s Aug. 15 statement would contain no expression of apology and be issued as a personal statement, not a Cabinet document. *Facta* also reported that a Chinese diplomatic source related that “The Xi regime is no longer insisting on an apology in the statement. President Xi has succeeded in purging his political foes through the anti-corruption campaign, so it is becoming unnecessary to provoke anti-Japanese sentiments....”

July 7 marked the 78th anniversary of the Marco Polo Bridge Incident and the beginning of ceremonies marking the 70th anniversary of Chinese People’s War of Resistance against Japanese Aggression and the World Anti-Fascist War. Unlike last year, President Xi did not attend. Three days later, Vice Foreign Minister Cheng Guoping told a press conference that Xi had invited Abe to attend the Sept. 3 ceremonies marking the end of the war. Asked about the invitation, Chief Cabinet Secretary Suga replied that the invitation had not arrived. As for the content of the ceremonies, he said various explanations had been received from the Chinese government, and, as a diplomatic matter, he would refrain from comment. At the end of August, Abe, citing urgent Diet affairs requiring his attention, told the Upper House Budget Committee that he would not travel to China on Sept. 3.

On Aug. 25, *Xinhua News Agency* released an article calling on Japan’s emperor to apologize for the war. The article drew a diplomatic protest from Japan, while Chief Cabinet Secretary Suga found the article “extremely disrespectful toward the emperor and absolutely undesirable,” telling reporters that it had the effect of pouring water on the recent improvement in Japan-China relations brought about by the two summit meetings.

Preparations for the 70th anniversary: Japan

In a *Kyodo News-Tokyo Shimbun* poll released on May 1 respondents were asked if Prime Minister Abe in his Aug. 15 statement should express “remorse and apology” for Japan’s colonial rule and aggression; 50.4 percent answered “Yes,” down from 54.6 percent in an end of March poll; 36.1 percent answered “No,” up from 30.5 percent in the March poll. (In an Aug. 14 *Mainichi Shimbun* poll, 47 percent of respondents said the war was a “mistake.” At the same time, 55 percent approved of visits by the prime minister to Yasukuni Shrine.)

The Abe government released a summary of the April 22 meeting of the Advisory Panel on the History of the 20th Century and on Japan’s Role in the World Order of the 21st Century on May 12. The panel, chaired by Nishimura Taizo, president of Japan Holdings, met at the Kantei. Two outside experts, Kubo Fumiaki of Tokyo University and Hosoya Yuichi of Keio University

addressed issues related to Japan's post war diplomacy, focusing on successful efforts at reconciliation with the US, the UK, and Australia. The panel met for the fifth time on May 26, again at the Kantei. Afterward, Nishimura told reporters that, rather than making needless apologies, the keynote of the Aug. 15 statement should focus on the future and that the future should never be lost sight of.

On June 8, Kitaoka Shinichi, acting chair of the Advisory Panel, addressed the Aug. 15 statement in a *Yomiuri Shimbun* exclusive story, focusing on four words: aggression, colonial rule, reflection and apology. Kitaoka found that in the 1930s and 1940s, "Clearly Japan committed an act that falls under any those definitions [of invasion.]; that its colonial rule was harsh; that its treatment of "ordinary citizens in the occupied areas and prisoners of war was terrible." In contrast, Japan's postwar peaceful economic development represented an acknowledgement of the wrongs of the past – invasion and colonial rule – and feeling proud of its postwar peaceful development cannot be separated.

Turning to the issue of responsibility – reflection or apology – Kitaoka wrote,

The word 'responsibility' has two aspects. One of them is that those who actually committed the wrongdoings, or rather crimes – should be held to account....

However, it should be noted that in prewar Japan, there were people who were never involved in any important decision-making process or who were opposed to such decisions. These people should never be held responsible like those who made the decisions. In this context, Japanese born after the end of the war are innocent of any wrong committed before and during the wars.

The Japanese people of today, I think, should assume the second aspect of responsibility. It is important for them to remember the mistakes Japan made in the past, never repeat them and create a better future. This is an act of reflection, rather than an apology. By reflection, I mean an act of appealing to the Japanese people as a way of self-discipline.

What is important here is reflection, not apology. I don't personally agree that an apology should be emphasized. Japan has apologized many times ... the purpose of an apology is reconciliation, and this is possible only when both sides make efforts for such a purpose. An apology by one side will not realize reconciliation by both sides.

On June 11, Nikai Toshihiro, chairman of the LDP's General Council, anticipating the Aug. 15 statement, told an interviewer that "we have been building something and no one expects a statement that will destroy it." He went on "If you think of Japan's position in international society, Prime Minister Abe bears great responsibility. We think he will release an admirable statement." On June 15, Abe told a Hong Kong *Phoenix Television* interviewer that "Japan will never again repeat the disaster of war, going forward this will not change."

Speaking at the Japan National Press Club on July 23, Chinese Ambassador Cheng Yonghua cautioned Japan against backtracking on statements related to history made by previous governments. Cheng made it clear that "If the statement is deliberately made vague, or it lightens responsibility, it will once again rip open the wounds of China and other victims and rub salt in them."

In remarks delivered at the Kansai Press Club in Osaka on July 24, former Prime Minister Murayama called on Abe to issue the Aug. 15 statement as a Cabinet document, not a personal statement. A personal statement, he argued, would only deepen concerns and be without meaning. Murayama noted that the statement issued by the prime minister on the 60th anniversary was issued as a Cabinet document.

Niwa Uichiro, former ambassador to China, told the *Asahi Shimbun* that Abe, in the Aug. 15 statement, “must comprehensively reflect on World War II and speak about the direction he wants to lead Japan in the future. If the statement deviates from the official statements by past prime ministers and governments, it could create a diplomatic problem.” Referring to his July 19-21 visit to Beijing to meet Tang Jiaxuan, Niwa said “I was expecting a thaw to have begun to set in, but I realized that it hasn’t changed for the better. Neither side has yet to dispel their suspicion of each other.”

Toward the Abe statement

The Advisory Panel on the History of the 20th Century and on Japan’s Role in the World Order of the 21st held its sixth meeting on June 25. After the meeting, Kitaoka reiterated his view on the use and inclusion of the word “aggression” in the Aug. 15 statement. The panel met for the last time on July 21. Later, Kitaoka told a *BS Fuji* television audience that “China has called on Japan to face history squarely, not offer more expressions of remorse and apology. Only the Japanese media and Korea say Japan has not apologized enough.” At the same time, *Xinhua* took the position that failure to include the words “deep reflection” and “remorse” would represent “a significant pull back from previous statements.”

The Advisory Panel submitted its report to Prime Minister Abe on Aug. 6. The report used the word “aggression” to define Japan’s activities in the 1930s and 1940 which “caused much harm to various countries, largely, in Asia through a reckless war.” The document asserted that “based on deep remorse, Japan has been reborn as a country that is completely different from what it was in the first half of the 20th century....” A footnote stated that dissenting views had been expressed about the definition of aggression and did not address the need for another apology.

Commenting on the report, China’s Foreign Ministry spokesperson observed that China and the international community “all pay great attention to the statement made by the Japanese leader. We urge the Japanese side to squarely look at and deeply reflect upon the war launched by Japanese militarism, send a clear message on the nature of the war and responsibility for it....”

Aug. 14-15

On the evening of Aug. 14, Prime Minister Abe, delivering a prime-time televised address, presented his government’s statement by Cabinet decision on the 70th anniversary of the end of the war. Key passages in the statement:

We must learn from the lesson of history the wisdom for our future...

With the Manchurian Incident ... Japan gradually transformed itself into a challenger to the new international order ... Japan took the wrong turn and advanced along the road to war...

On the 70th anniversary of the end of the war, I bow my head deeply before the souls of all those who perished both at home and abroad. I express my feelings of profound grief and my eternal, sincere condolences...

We must never forget that there were women behind the battlefields whose honor and dignity were severely injured...

Upon the innocent people did our country inflict immeasurable damage and suffering.... When I squarely contemplate this obvious fact, even, now, I find myself speechless and my heart is rent with the utmost grief...

Incident, aggression, war – we shall never again resort to any form of the threat or use of force as a means of settling international disputes. We shall abandon colonial rule forever and respect the right of self-determination...

Japan has repeatedly expressed the feelings of deep remorse and heartfelt apology for its actions during the war...

Such position articulated by previous cabinets will remain unshakeable into the future.

How much emotional struggle must have existed and what great efforts must have been necessary for the Chinese people who underwent all the sufferings of the war...

In Japan, the post-war generations now exceed eighty per cent of its population. We must not let our children, grandchildren, and even future generations to come, who had nothing to do with that war, be predestined to apologize. Still even so, We Japanese, across generations, must squarely face the history of the past ... and pass it on to the future...

We will engrave in our hearts the past, when Japan attempted to break its deadlock with force. Upon this reflection, Japan will continue to firmly uphold the principle that any disputes must be settled peacefully and diplomatically based on respect for the rule of law and not through the use of force, and reach out to other countries in the world to do the same....

On Aug. 15, in the National Memorial Service for the War Dead, the emperor expressed his “deep remorse over the last war” and his earnest hope that “the ravages of the war will never be repeated.” The words “deep remorse” were used for the first time in the emperor’s statement. Also on Aug. 15, the LDP’s policy chief, Inada Tomomi, Minister in Charge of Female Empowerment Arimura Haruko, Minister of Internal Affairs Takaichi Sanae, and Minister for Disaster Management Yamatani Eriko along with and a supra-party delegation of 66 members of the Diet paid homage at the Yasukuni Shrine. Prime Minister Abe, as president of the LDP, made a private offering at the shrine.

Reaction in China and Japan

In its analysis of Abe’s statement, the *Global Times* editorial noted that the inclusion of the words “apology,” “remorse,” “colonial,” and “aggression,” only met “the minimum demands of China.” The paper found Abe’s remarks lacking the “relatively earnest attitude” of the Murayama Statement, and observed that apparently, Abe had no intent to make a “heartfelt apology.” The editorial judged that “The speech will not trigger a worsening of Sino-Japanese

ties, nor will it help to significantly improve relations. The play of words provides various interpretations. But after the contradictory interpretations offset each other, what is left is basically nothing.”

Reacting to the visits to Yasukuni Shrine, the Foreign Ministry spokesperson painted the shrine as “a spiritual tool and symbol of the wars of aggression launched by the Japanese militarism and found the visit of Japan’s political leaders as evidence of “the wrong attitude towards the history issue.” China is “firmly opposed and dissatisfied with this.” Nevertheless, the following week, Japanese media were reporting that Abe would visit China in the afternoon of Sept. 3, after the morning victory parade.

In Japan, public opinion polls indicated support for Abe’s statement. A *Kyodo News Agency* survey conducted on Aug. 15, found 44.2 percent of respondents taking a favorable view of the statement, while 37 percent did not. A *Yomiuri Shimbun* poll conducted Aug. 15-16 found 48 percent of respondents supporting the statement; 34 percent did not. Also, 72 percent supported the statement’s reference to the continuity of the Murayama and Kono statements; 20 percent did not. As for future apologies, 63 percent did not favor continuing apologies; 27 percent did. Finally, 50 percent did not believe the statement will influence relations with China or Korea. A *Sankei Shimbun* public opinion poll found 57.3 percent of respondents approving the statement; 31.1 percent did not. Also, 59.8 percent approved of the reference to the continuity of the Murayama and Kono statements. As for the future, 66.1 percent did not favor continuing apologies, and 77.6 percent did not believe that relations with China and Korea will be affected by the statement. An *Asahi Shimbun* poll conducted Aug. 22-23 found 40 percent of respondents supporting Abe’s statement; 31 percent did not; 54 percent found the use of the words “deep remorse and heartfelt apology” to be appropriate; 20 percent did not; 46 percent agreed that future generations should no longer continue to apologize; 39 percent did not; and 11 percent thought it would have a positive effect on relations with China and Korea; 17 percent did not, while 59 percent thought it would have no effect.

On Aug. 19, Nikai Toshihiro, LDP General Council chairman held a press conference at the Foreign Correspondents’ Club in Tokyo. Nikai noted a “thawing” in bilateral relations and “the great interest” in holding a summit. He went on to say that “both leaders are fully aware of this” and that “I am confident that this will happen.”

Security

Security developments in the southwest region of Japan and the East China Sea continued to contribute to tension in the relationship. For its part, Japan took several steps to bolster its security posture. On May 11, State Minister of Defense Saito Akira visited Miyakojima and Ishigakijima in Okinawa prefecture to discuss plans to deploy 700-800-man Ground Self-Defense Force units to the islands. Meanwhile, the Ministry of Defense was reported to be considering a similar deployment to Anami-Oshima and the stationing of a Ground Self-Defense Headquarters on Miyakojima. The deployment to Miyakojima will include ground-to-ship and ground-to air-missile units. The units deployed to Miyakojima will be responsible for the surveillance of PLA air and naval activities. A senior Ministry of Defense official reportedly defined the area as a “strategic zone” for Japan. On May 21, the Metropolitan Police Department

and the Japan Coast Guard announced a joint drill to take place on Chichijima in the Ogasawara Islands to deal with a scenario of illegal landings on islands in the Ogasawara chain. On June 30, the Abe government announced plans to establish a special unit dedicated to the policing of territorial waters around the Senkaku Islands. The unit will include six additional Coast Guard ships and an additional police unit with 12 patrol ships with helicopter assets. A surveillance unit of the Ground Self-Defense Force will also be deployed to Yonagumi Island, Japan's westernmost island. It is scheduled to become operational in the spring of 2016. Prime Minister Abe said these initiatives were "aimed at strengthening the administration of outlying islands."

Japan attributed the need for the strengthened security posture to ongoing Chinese activity. On June 13, the *Yomiuri Shimbun* reported that the Chinese Coast Guard was planning to build a large-scale base in Wenzhou in Zhejiang Province, in close proximity (approximately 356 km) to the Senkaku Islands. Reportedly the Wenzhou base will occupy 500,000 sq. meters with a 1.2 km pier capable of servicing coast guard ships with a displacement of 10,000 tons, and will include hangar facilities and a large training area. On July 19, PLA Navy ships were observed transiting in international waters between Okinawa's main island and Miyakojima for exercises in the western Pacific. In a *Yomiuri Shimbun* interview, Hibako Yoshifumi, former chief of the Ground Self-Defense Force, found Japan's security environment "worse than it was during the Cold War." "China," he observed "is behaving defiantly in the South China Sea. Can we rule out the possibility that China will someday declare that Okinotorishima 'belongs to us' and start reclaiming territory around the island, or occupy it on the pretense that it is rescuing shipwrecked fishermen?" Speaking in Washington, Adm. Kawano Katsuyoshi raised the possibility of Japan eventually conducting patrols and surveillance activities in the South China Sea.

Japan's latest defense budget reflects the growing concern regarding China's defense buildup. On Aug. 20, the *Asahi Shimbun* reported that Japan's Ministry of Defense will request a record ¥5,091 trillion/\$41 billion for the FY 2016 defense budget, a 2.2 percent increase over the initial 2015 budget request and the second consecutive year exceeding ¥5 trillion. Acquisition is focused on an *Aegis* class-destroyer, 12 *MV-22 Ospreys*, six *F-35A* fighters, and three *Global Hawk* drones.

Tokyo also moved ahead with legislation to bolster its security posture. On July 16, Japan's Lower House adopted the government's proposed legislation. In Beijing the Foreign Ministry spokesperson told reporters that the passage of the laws represented an "unprecedented move since the Second World War and may lead to significant changes in Japan's military and security policies. It is fully justified to ask if Japan is going to give up its exclusively defense-oriented policy or change the path of peaceful development.... We solemnly urge the Japanese to draw hard lessons from history, stick to the path of peaceful development, respect the major security concerns of its Asian neighbors, and refrain from jeopardizing China's sovereignty and security interests or crippling regional peace and stability."

Meanwhile, Japan also released its latest defense white paper. On July 16, the LDP's Defense Division approved the paper. Approval was initially withheld because the initial Ministry of Defense draft had failed to mention Chinese exploration activities in the East China Sea. The white paper, as approved by the Cabinet, was issued on July 21. The document notes that China "continues to act in an assertive manner, including coercive attempts to change the status quo,

and is poised to fulfill its unilateral demands without compromise.” In the South China Sea, the white paper notes that “China has pressed ahead with rapid and large-scale land reclamation works in seven features in the Spratly Islands, including runways and ports, which has raised concern among the international community.” In the East China Sea the document notes that “in addition to its existing platforms, China had been building new offshore platforms and other facilities on the Chinese side of Japan-China medial line ... since June 2013.” In response, the Japanese government “has repeatedly lodged protests against China’s unilateral development and demanded the termination of such works...” The document called attention to Air Self-Defense Force scrambles against Chinese aircraft, a record 464 in 2015, an increase of 49 over 2013 and to the fact that China “routinely,” deploys ships to the waters around the Senkaku Islands.

China’s Ministry of National Defense criticized the white paper as “throwing dirt on the image of the Chinese military, charging the Abe government with “trying to greatly change national security policy, even while claiming to pursue a course of an exclusively defensive posture and peaceful development.” China’s Foreign Ministry characterized the white paper as “maliciously exaggerating the ‘Chinese threat.’” Regarding the Diaoyu Islands, the ministry said that “China will continue with necessary measures, including “patrols into Chinese territorial waters.” As for the South China Sea, the statement criticized Japan for “interfering in the issue and trying to stir up tensions in the region.”

In what appears to be the one hopeful sign of defusing tension, Kuroe Tetsuro, director general of the Ministry of Defense Policy Bureau, briefed Guan Youfei, head of China’s Ministry of National Defense Foreign Affairs Office on the newly released US-Japan Defense Guidelines on May 18 in Tokyo. At the meeting, the two sides also agreed on the earliest implementation of the air-sea liaison mechanism. Both also agreed that the mechanism will cover only international waters and airspace and not apply to sovereign waters and air space. The meeting of director general-level defense officials was the first in two years.

Senkaku/Diaoyu Islands

Tensions in the Senkaku/Diaoyu Islands also continued to run high as Chinese Coast Guard ships continued to conduct patrols in the region while Japan continued to report these patrols as infringements on Japan’s contiguous zone and territorial waters.

April 21-May 10: *Haijian 2102, 2305, and 2350* operate in Japan’s contiguous zone; on May 15, the ships entered Japan’s territorial waters. When warned by Japanese Coast Guard not to enter territorial waters, the ships replied in Chinese and Japanese that they were operating under Chinese law and conducting a regular patrol.

May 13-June 1: *Haijian 2151, 2306, and 2401* operate in Japan’s contiguous zone; ships enter Japan’s territorial waters on May 28.

June 2- 24: *Haijian 2305, 2307, 2308, 2149, 2166, and 2337* operate in Japan’s contiguous zone; ships enter Japan’s territorial waters on June 3, June 17, and June 26.

June 3: LDP addresses letter to Wang Jiarui, head of the International Department of the CCP, demanding that China cease incursions into Japanese territorial waters, defining Chinese actions as “a grave threat to Japan and cause the Japanese people unbearable agony.”

June 5-7: Chinese research ship found operating without prior notification in Japan’s Exclusive Economic Zone (EEZ).

June 15: Chinese research ship found operating without prior notification in Japan’s EEZ.

July 2-6: *Haijian 2151, 2166 and 2308* ships operate in Japan’s contiguous zone; ships enter Japan’s territorial waters on July 3.

July 17-18: Chinese research ship found operating without prior notification in Japan’s EEZ.

July 17-20: *Haijian 2146, 2307 and 2308* operate in Japan’s contiguous zone.

July 23-Aug. 3: *Haijian 2307 and 2308* entered Japan’s territorial waters on July 24 and July 29. Chinese ships warned Japan Coast Guard against intruding into Chinese territorial waters and requested immediate Japanese withdrawal.

Aug. 1: Chinese research ship found operating within Japan’s EEZ.

Aug. 2: *Haijian 2151, 2337, and 2501* enter Japan’s territorial waters; the 22nd incursion in 2015.

Aug. 5-13: *Haijian 2151 and 2337* operate in Japan’s contiguous zone.

Aug. 12-17: *Haijian 2113 and 2166* operate in Japan’s contiguous zone.

Aug. 26: *Haijian 2113, 2166 and 2305* enter Japan’s territorial waters in the Senkakus; on Aug. 27, Japan lodged a diplomatic protest.

Aug. 26-31: *Haijian 2113, 2166, and 2305* operate in Japan’s contiguous zone.

East China Sea

There were also indications over the summer months that tensions over oil and gas fields in the East China Sea were re-emerging as a source of tension. On July 6, Chief Cabinet Secretary Suga announced that Japan had repeatedly protested China’s construction of a new platform for gas exploration in the East China Sea. Construction of the new platform, on the Chinese side of the mid-line boundary in the East China Sea, began in June, 2013. On July 10, Defense Minister Nakatani Gen told the Lower House Security Special Committee that the gas exploration platform could provide a site for radar and helicopter operations to monitor Japanese Self-Defense Force operations in the area. Prime Minister Abe added that Japan will continue to “protest strongly China’s ‘unilateral actions.’” On July 11, it was reported that Abe had raised the issue with Xi during his November 2014 and April 2015 meetings. On July 22, the Abe government released aerial photos of the new platforms, which drew protests from Beijing.

In Beijing, the Foreign Ministry found the release of the photos as reflecting an effort to spark confrontation rather than constructively advance bilateral relations. Explaining the release of the photos, Chief Cabinet Secretary Suga said “we made the decision after considering the various factors in light of the growing interest at home and abroad in [China’s] attempts to change the status quo unilaterally.” Rejecting Chinese criticisms, he added that Chinese efforts at land reclamation in the South China Sea and actions to strengthen its claims in the East China Sea were “extremely regrettable.”

On July 24, China’s Foreign Ministry found the Japanese request to cease exploration to be “complexly unjustified” as China’s activities were “completely appropriate and legal.” The statement went on to point out that China and Japan had not agreed to boundary delimitation in the East China Sea and that China did not recognize Japan’s claimed mid-line boundary. The Ministry expressed the hope that frictions in the East China Sea could be managed through dialogue and cooperation. In his remarks to the Japan National Press Club, Ambassador Cheng explained that exploration efforts were taking place in “indisputably” Chinese territory and that left no room for Japan’s erroneous statements.

On July 27, China’s Foreign Ministry released a five-point rejoinder to Japan’s demands to cease exploration activities in the East China Sea. The document declared that “there are no grounds whatsoever for Japan’s demand, and China’s oil and gas development in the East China Sea is fully justified and legitimate.” The document went on to point out that

- China’s oil and gas development in the East China Sea falls within China’s sovereign rights and jurisdiction and is beyond reproach....
- China and Japan have yet to reach agreement on maritime delimitation in the East China Sea. China does not recognize the so-called medial line unilaterally claimed by Japan....
- Acting in the overall interest of bilateral ties with Japan, China has long exercised restraint and refrained from conducting oil and gas exploration in the disputed areas of the East China Sea....
- For years China and Japan maintained communication over issues related to the East China Sea and the two sides reached principled consensus on the East China Sea issue in June 2008. Yet Japan’s misrepresentation of the consensus thereafter created obstacles to its implementation ... the process came to a halt because of the incidents caused by Japan in the East China Sea....
- China is ready to have dialogue and communication with Japan on issues related to the East China Sea t through various channels...

On Aug. 6, Foreign Ministers Kishida and Wang met on the sidelines of the ASEAN-led meetings in Kuala Lumpur. Kishida raised the issue of China’s “unilateral” oil and gas exploration in the East China Sea and emphasized the importance of cooperative development

based on the June 2008 Japan-China agreement. Wang replied that China's exploration activities are taking pace in an area of China's "indisputable" sovereignty.

South China Sea

Reacting to reports that the Mekong Japan Summit had adopted a statement expressing concerns about the South China Sea, China's Foreign Ministry spokesperson commented that "that Japan has been overactive on the South China Sea recently. Pursuing its own selfish interests, Japan has been heating up tensions and sowing discord among regional countries.... Japan is not a concerned country to the South China Sea issue. We urge Japan to stop hyping up this issue or launching groundless accusations against China and take concrete steps to maintain peace and stability in the region."

In remarks delivered in Washington on July 29, Adm. Takei Tomohisa, commander of the Maritime Self-Defense Force, warned that Chinese island-building efforts in the South China Sea could allow China to extend its military influence throughout the entire maritime region. The admiral linked the Indian Ocean and the western Pacific as areas that "cannot be separated both politically and economically" with "security in each of these two oceans as identical." Looking to the ARF meeting in Malaysia and addressing China's landfill activities in the South China Sea, Foreign Minister Kishida set out Japan's priorities as rule of law and freedom of navigation in the region.

During the early August meetings of the EAS foreign ministers and the ARF, Japan made clear its support for the Philippine arbitration case brought against China. On Aug. 6, Foreign Minister Wang delivered China's response, noting that "the situation in the South China Sea is stable, on the whole, and there is no possibility of major conflicts. China therefore objects to any non-constructive words or deeds that attempt to exaggerate the disagreements, hype up confrontation and heat up tensions, which do not conform to reality....China has a stake in freedom of navigation in the South China Sea.... China always maintains that countries enjoy freedom of navigation and overflight ... in accordance with international law. Up to now, there has not been a single case in which freedom of navigation in the South China Sea is impeded." The ARF Chairman's closing statement emphasized the importance of freedom of navigation and airspace and expressed concerns with China's landfill activities in the South China Sea. China's response was to take note of the concerns.

Business and Economics

Japan's direct foreign investment in China plunged 9.4 percent in the January-May period over the previous year. Economic reports suggested that Japanese companies were concerned with the potential for a recurrence of anti-Japanese demonstrations that followed nationalization of the Senkakus in 2012, rising Chinese labor costs, and difficult profit positions. On Aug. 19, China's Ministry of Commerce announced that Japanese direct investment in China had fallen 24.2 percent to \$2.14 billion in January-July from the same period in 2014.

Nevertheless, Japanese automobile makers experienced growth in new car sales, Honda in particular. From January-May, Honda experienced 31.3 percent growth in sales, amounting to

387,752 vehicles. Toyota in January-April sales reported a 20.1 percent increase to 320,300 vehicles. Nissan, however, experienced a January-April decline of 2.5 percent in sales. However, as the Chinese economy strained in July, new car sales slumped: Nissan, down 14 percent; Mitsubishi, down 14 percent; Suzuki, down 32 percent; and Fuji, down 29 percent. The exception was Toyota which experienced a 24 percent jump in new car sales.

Meanwhile during the January-April period, Chinese tourists to Japan nearly doubled over 2014 to a total of 1.33 million and in data released by the Japan National Tourism Organization, Chinese travelers to Japan in April totaled 400,000, an all-time high on a monthly basis.

On May 26, Keidanren President Sakakibara Sadayuki announced that representatives from Keidanren, Keizaidoyukai, and the Japan Chamber of Commerce and Industry would travel to China in November, to “hold various types of economic exchanges with Chinese companies of different sizes” with “an opportunity to meet with Chinese government leaders.”

On June 3, the LDP’s foreign policy and finance divisions met to discuss participation in the AIIB. The draft report presented both pro and con positions on participation but failed to reach a conclusion on a recommendation other than that the government should “carefully watch the situation.” Earlier, Prime Minister Abe had advised the group that “there is no need to rush.” According to a senior administration official, this approach reflects thinking that “China needs Japan’s participation for the sake of getting better credit ratings.”

History and the Nuclear Nonproliferation Treaty Review Conference

A Japanese draft document circulated at the Review Conference called on world leaders and youth to visit Hiroshima and Nagasaki. The Japanese draft met with opposition from China, whose ambassador took objection to Japan, as the instigator of the war, singling out Hiroshima and Nagasaki as sites for special attention. Foreign Minister Kishida replied that the Review Conference should keep its focus on advancing a world without nuclear weapons; at the same time he would strive to keep the references to Hiroshima and Nagasaki in the document. Once again, the debate devolved into issues related to Japanese and Chinese perspectives on history and the war. Addressing the issue, a Chinese Foreign Ministry spokesperson asked “if you are to inquire about the possibility of China’s leaders visiting Hiroshima and Nagasaki, when will Japanese leaders visit Nanjing Memorial Museum?” Japan’s efforts to include specific references to Hiroshima and Nagasaki proved unavailing.

At the end of July, the government announced its intention, during the autumn meeting of the UN General Assembly, to introduce a resolution on disarmament that would include a call on world leaders and youth to visit Hiroshima and Nagasaki

Outlook:

As the Sept. 3 victory celebrations fade into the autumn, odds for a third Abe-Xi Summit will firm up.

Chronology of Japan – China Relations May – August 2015

May 4, 2015: Japanese, Chinese and Korean finance ministers meet in Baku, Azerbaijan.

May 4-5, 2015: Liberal Democratic Party (LDP) Vice President Komura Masahiko and Komeito deputy leader Kitagawa Kazuo lead supra-party of Japan-China Parliamentarians Friendship Union to Beijing and meet Tang Jiaxuan, head of China-Japan Parliamentarians Friendship Union and Zhang Dejiang, third-ranking member of the Politburo Standing Committee.

May 6-8, 2015: Former Minister of Finance Nukaga Fukushiro visits Beijing and meets Tang Jiaxuan and Zhu Zhensheng, the fourth-ranking member of the Politburo and Chairman of the Chinese People's Political Consultative Conference.

May 12, 2015: Japan-Philippines hold joint exercises in South China Sea.

May 13, 2015: China Academy of Social Sciences releases 2014 Japan Blue Book and notes opportunity to improve relations but continuing lack of trust.

May 15, 2015: China, Japan, and ROK hold third counter-terrorism consultations in Beijing.

May 21, 2015: China's Ministry of National Defense (MND) announces People's Liberation Air Force (PLAAF) bombers transit in international airspace between Okinawa and Miyakojima for exercises in the western Pacific.

May 23, 2015: LDP General Council Chairman Nikai Toshihiro leads 3,000-member delegation of business leaders and Japan-China Friendship organizations to Beijing.

May 26, 2015: China's MND releases *China's Military Strategy* report.

June 1, 2015: Chief Cabinet Secretary Suga Yoshihide assails Chinese conduct in creating artificial islands in the South China Sea emphasizing the importance of rule of law.

June 3-4, 2015: Chinese and Japanese officials meet in Beijing to discuss cooperation under extradition treaty.

June 6, 2015: Chinese and Japanese finance ministers meet in Beijing, the first meeting in three years.

June 11, 2015: China accepts November visit of Japan's war orphans, the first visit in six years.

June 13, 2015: *Yomiuri Shimbun* reports China is building a large coast guard base in Wenzhou, 356 km from the Senkakus.

June 15, 2015: Prime Minister Abe Shinzo tells Hong Kong *Phoenix TV* that Japan will never repeat the disasters of the war.

June 15, 2015: *Global Times* announces Chinese plans to build large-scale Coast Guard base in Wenzhou.

June 23-24, 2015: Japan-Philippines conduct naval exercise off the coast of Palawan in the South China Sea.

June 25, 2015: Chinese Embassy cautions Japan against involvement in South China Sea.

June 30, 2015: Abe government announces plans to establish special unit dedicated to policing territorial waters, including the Senkakus.

July 4, 2015: Prime Minister Abe and Vietnamese Prime Minister Nguyen Tan Dung express concern over Chinese land reclamation in the South China Sea.

July 6, 2015: Chief Cabinet Secretary Suga Yoshihide announces protest of China's unilateral development of oil and gas fields in the East China Sea.

July 7, 2015: 78th anniversary of Marco Polo Bridge incident is commemorated in China.

July 10, 2015: Minister of Defense Nakatani Gen tells Lower House that China's new oil and gas platforms in East China Sea could have military uses.

July 15, 2015: Japan's Ministry of Defense announces 114 fighter scrambles against Chinese aircraft in April-June period, an increase of 21 over the January-March period.

July 16, 2015: Japan's Lower House adopts security legislation expanding the definition of the right to collective self-defense.

July 16-17, 2015: Secretary General of Japan's National Security Council Yachi visits China and meets State Councilor Yang Jiechi and Premier Li Keqiang.

July 21, 2015: Abe Cabinet approves release of Japan's *2015 Defense White Paper*.

July 22-23, 2015: Former Taiwan President Lee Teng-hui visits Japan and meets Diet members and Prime Minister Abe.

July 22, 2015: Abe government releases aerial photos of new Chinese exploration platforms in the East China Sea.

July 24, 2015: China's Foreign Ministry calls Japan's request to stop East China Sea gas exploration "unjustified" and defends China's actions as "completely appropriate and legal."

July 24, 2015: China's Foreign Ministry criticizes Japan for allowing visit of former Taiwan President Lee Teng hui.

July 29-30, 2015: Four PLA aircraft transit in international airspace between Okinawa and Miyakojima; Air Self-Defense Force aircraft scrambles in response.

July 31, 2015: Chinese boat, crew, and captain taken into custody under suspicion of coral poaching off Nagasaki prefecture; released the following day after paying fine.

Aug. 4, 2015: Foreign Minister Wang Yi cautions countries that not parties to the South China Sea dispute to refrain from meddling.

Aug. 6, 2015: Foreign Ministers Kishida and Wang meet on the sidelines of the ARF meeting.

Aug. 6, 2015: Advisory Panel on the History of the 20th Century and Japan's Role in the World Order in the 21st Century submits final report to Prime Minister Abe.

Aug. 14, 2015: Prime Minister Abe releases Cabinet statement on the war and the future.

Aug. 15, 2015: Emperor expresses “deep remorse” at the National Day of Remembrance for the War Dead at commemorative ceremonies; Prime Minister Abe attends.

Aug. 15, 2015: Anti-Japanese war memorial opens in San Francisco's Chinatown; two officials of China's State Council, a former deputy chief of mission at the Chinese embassy in Washington attend the ceremony.

Aug. 19, 2015: Japan's Ministry of Defense releases record ¥5,091 trillion/\$41 billion budget request for FY 2016.

Aug. 19, 2015: LDP General Council Chairman Nikai tells reporters that he is confident of an early Japan-China summit; supports “shelving” of Senkaku issue.

Aug. 20-28, 2015: China and Russia conduct joint exercise in the Sea of Japan.

Aug. 24, 2015: Prime Minister Abe tells Upper House Budget Committee that he will not attend Sept. 3 event in Beijing and will postpone visit to China.

Aug. 25, 2015: Abe government announces that it will not send an official representative to Sept. 3 victory parade; China announces former Prime Minister Murayama will attend.

Aug. 25, 2015: China announces representatives from 49 countries will attend Sept. 3 victory parade in Beijing.

Aug. 25, 2015: *Xinhua* releases article calling on Japan's emperor to apologize for the war; Japan lodges diplomatic protest on Aug. 27.

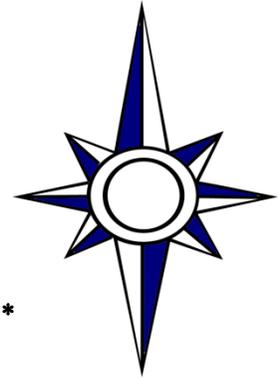
Aug. 26, 2015: Japanese Coast Guard request ¥4.4 billion/\$36.3 million for FY 2016 to enhance capabilities to deal with increasing Chinese Coast Guard and fishing boats in Senkaku Islands; Miyakojima Coast Guard Station upgraded to Coast Guard Office.

Aug. 27, 2015: Foreign Minister Kishida informs Upper House Diplomatic and Defense Committee that Japan has protested Chinese incursions into Japanese territorial waters in the Senkaku Islands.

Aug. 28, 2015: Chief Cabinet Secretary Suga criticizes *Xinhua* article on Aug. 25 as pouring water on recent improvement in Japan-China relations brought about by two summit meetings.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Japan-Korea Relations:

Sorry Seems the Hardest Word (unless you're a CEO)*

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In international negotiation, people use the term “ripeness” to describe when the time is right for reaching agreement. That may be the result of active efforts on the part of the actors, but it could also be generated by that sense of “something in the air” in anticipation of important dates. Just as one feels compelled not to fight on important anniversaries, it has become the norm for countries to at least try to avoid undermining the spirit of bilateral celebrations. The general mood enveloping both Japan and Korea – in anticipation of the 50th anniversary of normalization of relations on June 22 – was to accentuate areas where progress was being made while marginalizing issues that are predictably controversial. This translated into some compromise on Japan’s pursuit of gaining inscription for several sites on UNESCO’s World Heritage List, a few exchanges of cultural artifacts, and bilateral talks and meetings on the sidelines of major international conferences. The general mood, however, was decidedly anticlimactic as the 70th anniversary of Korea’s independence from Japanese colonial rule or the defeat by Japan in World War II were not so much an occasion to celebrate how much each country had accomplished, but a reality check on how much the two had yet to achieve, particularly the lack of South Korean closure with its grievances toward Japan. This “glass half empty” sentiment prevented any one event to stand out as a hallmark of bilateral cooperation over the summer.

Playing nice

While there was no heightened sense of bilateral cooperation or any special occasions, it may be uplifting to start with positive developments. For one, in a *Washington Post* [interview](#) posted on June 11, 2015, President Park Geun-hye remarked that “There has been considerable progress on the issue of the comfort women, and we are in the final stage of our negotiations. So I think we can expect to look forward to a very meaningful 50th anniversary of the normalization of our diplomatic ties.” When asked to elaborate on the progress, she simply stated that “Obviously, because these are behind-the-scenes discussions, I would be remiss to disclose the elements of the discussions.” So while it was difficult to gauge exactly how close to fruition this deal was or what either of the countries was gaining for what it was potentially giving up, it seemed like things were moving forward. Unfortunately, while Park cited the current number of comfort women/sex slaves survivors at 52 in her interview, by early July, the count fell quickly to 48, after Kim Dal-seon (91) and Kim Oi-hwan (80) passed away on June 11, followed by Kim Yeon-hee (83) on June 24, and Choi Geum-seon (89) on July 5.

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Leading up to the anniversary, a Japan-South Korea Foreign Ministers Meeting was held in Tokyo on June 21, marking Yun Byung-se's first visit to Japan. Items on the agenda included increasing people-to-people exchanges and expanding security and economic cooperation. A Japan-Korea Future Dialogue was held on the same day in Tokyo, sponsored by Japan's Genron NPO and the East Asia Institute. The one-day dialogue featured Ogura Kazuo, the former Japanese ambassador to France, South Korea, and Vietnam, and Shin Kak-soo, the former South Korean ambassador to Israel and Japan. On June 22, the actual 50th anniversary of normalization of diplomatic relations, President Park and Prime Minister Abe Shinzo attended separate events at the Japanese Embassy in Seoul and the Korean Embassy in Tokyo, respectively.

Also in June, Bunka Gakuen University in Tokyo signed a memorandum of understanding with the South Korean government commemorating a donation of the traditional attire worn by Princess Deokhye, the daughter of King Gojong (1852-1919) and the last princess of Korea's Joseon Dynasty (1392-1910). So, while the princess was sent to Japan as a gesture of goodwill and later married Sō Takeyuki, a Japanese aristocrat from the clan of Tsushima (never mind that the princess, suffering from dementia, ran away and her husband decided to divorce her), her clothes were being sent back to Korea in an effort to improve bilateral ties. Speaking of Tsushima (known as Daemado in Korea), in July, South Korea returned one of two Korean Buddha statues that were stolen by a group of South Korean thieves from separate shrines in Tsushima back in October 2012. The returned statue had been at the center of [controversy](#) for a couple years, making its repatriation a welcome move for Japan. Meanwhile, the second sculpture is still claimed by Buseok Temple in Korea's southwestern city of Seosan, which has placed a temporary injunction to prevent its return to Japan on grounds that the artifact may have been illegally stolen by Japan during the late Goryeo period (918-1392). Complications persist.

On lighter (but still positive) news, the eighth Japanese-Korean parliamentarians' soccer game took place on June 13 at the Seoul World Cup Stadium, marking a resumption of these friendly matches after a nine-year hiatus. The event brought together 21 Japanese lawmakers and 22 Koreans, including Ichiro Aizawa, a Liberal Democratic Party (LDP) Lower House member, and Kim Moo-sung, the leader of the ruling Saenuri Party (and a possible contender for the 2017 presidential elections).

In news of a different kind of celebrity, *Kyodo News* reported that more than 100 fans – mostly Japanese women – traveled to Seoul on news that the South Korean actor Bae Yong-joon (also known as Yon-sama) was getting married. Bae is known for his roles in Korean dramas, especially *Winter Sonata* (2002), that have been part of what has been dubbed as the Korean Wave (*Hallyu*). According to reports, his company, Keyeast Entertainment, provided meal coupons for fans that could be used at the hotel where the wedding was being held. Recall that Alexis Dudden in her book, *Troubled Apologies among Japan, Korea, and the United States* (Columbia University Press, 2008), quotes an online critic as saying “It’s not an exaggeration to say that *Winter Sonata* has done more politically for South Korea and Japan than the [2002] FIFA World Cup,” (p. 48). Yon-sama may have outshone the politicians (and soccer) again.

Peeling away the layers behind the UNESCO inscription

Although much of the media buzz centered on South Korean protests against Japan's campaign to have its sites inscribed in the World Heritage List, *both* countries had submitted their

respective nominations to the UNESCO World Heritage Committee in July; it just so happened that Seoul's discontent with Tokyo's move overshadowed Korea's own campaign to have its sites inscribed. Further, despite the flurry of activity from May to July, Tokyo had formally submitted its recommendations, consisting of 23 nominated components across 11 sites within 8 discrete areas, under what it called the "Sites of Japan's Meiji Industrial Revolution: Iron and Steel, Shipbuilding, and Coal Mining," to the International Council on Monuments and Sites (ICOMOS) on Jan. 14, 2014. On March 12, 2015, ICOMOS approved the report submitted by Japan and endorsed all 23 facilities, which paved the way for endorsement by the World Heritage Committee. Finally on July 5, 2015 at the 39th session of the UNESCO World Heritage Committee in Bonn, Germany, a decision was made to inscribe the 23 facilities. While Tokyo's campaign was to gain recognition of these sites for their role in the industrial revolution in Japan, Seoul's main problem was that at least seven of these nominated sites had employed nearly 60,000 Koreans that were forced into labor during Japan's colonial rule. There are five aspects of this controversy that are worth mentioning.

First, it seemed like Seoul made little effort to engage Tokyo on the matter (either publicly or behind-the-scene) until this summer despite the clear contours of Japan's plans in January 2014. In May 2015, Choi Jong-moon, the South Korean ambassador for cultural and UNESCO affairs, met Shimmi Jun, director-general for cultural affairs at Japan's Ministry of Foreign Affairs, in Tokyo to discuss Korea's concerns, with the second round of talks on the issue occurring in Seoul on June 9, 2015. So whether there was some delayed reaction on the part of Seoul due to wishful thinking (that perhaps Japan would fold) or the reality of limited resources prevented less pressing matters from coming to the fore, there was quite a bit of time for Korea to plan and evaluate its actions to carefully counter Japan's moves if needed.

Second, the idea that there was a breakthrough in negotiations was short-lived. To address Korea's concerns, the [statement](#) by the Japanese delegation at the 39th Session of the World Heritage Committee of UNESCO declared that "Japan is prepared to take measures that allow an understanding that there were a large number of Koreans and others who were brought against their will and forced to work under harsh conditions in the 1940s at some of the sites, and that, during World War II, the Government of Japan also implemented its policy of requisition." Of course, in the written statement under note 5, it also states that "The Government of Japan has repeatedly made it clear that this statement by the Japanese delegation does not acknowledge that there was illegal "forced labour," and this point has been clearly conveyed to the Korean side." It may have dawned on the Korean side that it may not be worth trying to decipher the subtle nuance between "forced to work" and "forced laborer" once Japan's Foreign Ministry released the following [statement](#): "There is no change whatsoever to the position that the issues relating to property and claims between Japan and the Republic of Korea (ROK), including the issue of requisitioned workers from the Korean Peninsula, have been settled completely and finally by the Claims Settlement and Economic Co-operation Agreement of 1965, which was concluded on the occasion of the normalization of the relationship between Japan and the ROK."

If the message was spelled out any clearer, it would become an entry in a dictionary. Lest Korea forgot, the overarching goal for Japan was to have its sites inscribed in the World Heritage List, not resolve the issue involving those who were 'forced to work' for Japanese companies during World War II. The next point further reinforces this reality.

Third, the interesting part that has not yet received much attention is contained in the 354-page final [report](#) (“Evaluations of Nominations of Cultural and Mixed Properties ICOMOS report for the World Heritage Committee 39th ordinary session, Bonn, June-July 2015). To be fair, the report is an extensive catalogue of sites from around the world. For Japan and its “Sites of Japan’s Meiji Industrial Revolution,” the report states (p. 99) that “The private companies Mitsubishi, Nippon and Miike Port Logistics Corporation have entered into agreements with the Cabinet Secretariat to protect, conserve and manage their relevant components. This will largely be achieved with the implementation of the relevant conservation management plans and in accordance with relevant legislation.”

The report continues (p. 100) that “The Japanese Government has established a tax incentive scheme to encourage private companies to fund the conservation and management of component parts. In the case of Nippon Steel for the components at the Imperial Steel Works (Area 8) it is estimated that it will receive approximately ¥100K/year.” So, ironically, some of the actors that are at the center of the controversy involving reparations for “forced labor” such that Mitsubishi and Nippon Steel, are now in charge of (and getting incentives for) the conservation and management of sites that are accused of being “tainted” by their involvement in “forced labor.” Another variable to consider is China, especially given the latest [report](#) by *Japan News* on July 24, that Mitsubishi Materials was preparing to offer an apology and compensation of 100,000 yuan (¥2 million or roughly \$16,000) for each of the 3,765 Chinese victims that were forced to work for its wartime predecessor Mitsubishi Mining Co. and its subcontractors. It would be hard for Koreans to not feel like they were being intentionally sidelined if its neighbor is able to cut such a deal with Japan.

Fourth, the final report should also give Japan pause. The main rationale that Japan put forward in placing the “Sites of Japan’s Meiji Industrial Revolution” on the World Heritage List hinged on emphasizing not simply what these designated sites represented in terms of Japan’s industrial achievement, but also the (first) successful transfer of industrialization from the West to a non-Western nation and the latter’s active adaptation of Western technology. Although perhaps meant to instill a sense of awe and pride in how Japan successfully industrialized, the way that the report (p. 92) presents its evaluation for approval actually sounds rather sociological: “The case is well made for Japan being seen as the first non-Western country to industrialise. It is thus unique in Asia and needs to be seen in that context.... Worldwide newly industrialised countries include Brazil, Mexico and South Africa. The historical, social and economic context for Japan’s emergence as an industrial nation are therefore completely different from elsewhere in Asia, and in comparison to countries worldwide.” This raises some intriguing questions about what it means for Japan to be *completely different* from all other nations, to the extent that it prevents any attempts at comparability or generalizability.

Finally, the South Korean campaign of having “Baekje Historic Areas” (eight sites in Gongju and Buyeo, Chungcheongnam-do Iksan, Jeolla Province) inscribed in the World Heritage List also needs to be parsed. The “Baekje Historic Areas” was included in the tentative list on Jan. 11, 2010, its report received by the World Heritage Centre on Jan. 28, 2014, and approved by ICOMOS on March 12, 2015, paving the way for its final inclusion in the July session. The international body approved South Korea’s nomination with the understanding that these sites

displayed the interchange between the ancient East Asian kingdoms in China, Japan, and Korea, especially regarding construction techniques and diffusion of Buddhism. Donald Kirk in a [commentary](#) in *Forbes* suggested that there may be a domestic political explanation behind Jeolla Province's campaign: "such recognition helps to *balance the score* with other Korean World Heritage sites, including the Changdeokgung Palace complex in central Seoul and the temples and palaces of Gyeongju, center of the Silla kingdom of southeastern Korea that conquered Baekjae [emphasis added]." The proposed budget for the 2015-2019 Management Plan for the "Baekjae Historic Areas" is \$63,258,000, with the following breakdown in funding source: state allocations (70 percent), provincial government (15 percent), and local government (15 percent) (p. 118). If Jeolla Province is getting both recognition and money from the central government, it is hard to ignore the argument that something purportedly externally-oriented (UNESCO designation and/or countering Japan) may have a heavy internal/domestic component (regional politics).

The hard knock life of CEOs (and what it means to be Japanese or Korean)

The UNESCO inscription ordeal poses the question: what does it mean for Japan to be an outlier in Asia? In other words, what makes Japan, Japan? South Korea was struggling with that same question around the same period, but in a negative way: stressing its identity by creating as much distance and space as possible from being Japanese. Despite all the talk about globalization, it may be that at least in the context of bilateral relations, tensions often magnify the quality of nationality, both for people and companies.

May to August was a difficult time for a handful of leaders and/or their companies. In May, the Japanese police arrested three men, including the son of the head of the pro-Pyongyang General Association of Korean Residents in Japan (*Chongryon*), on suspicion of illegally importing matsutake mushrooms from North Korea. Takada Shigehisa, head of the Japanese supplier, Takada, which supplies air bags to companies like Toyota and Nissan, had to [apologize](#) in what is viewed as the largest automobile safety recall in history. Toyota was in "[damage control](#)" with President Toyoda Akio apologizing after its new communications chief, Julie Hamp, was arrested on suspicion of illegally bringing pain killers into Japan, while the chief executive of Toshiba Corp., Tanaka Hisao, resigned in July over an [accounting scandal](#).

The South Korean public was much more interested in the apologies of two other companies and their respective heads. The first involved an apology by *Fuji TV* after heavy criticism for intentionally manipulating the subtitles in a segment titled, "why Koreans hate the Japanese so much" in a program that was aired on June 5 ahead of the 50th anniversary of the normalization of ties. Apparently, when contacted by the *Japan Times*, *Fuji TV* denied any allegations of malice or fabrication, citing issues of human error during the editing process. Yet many netizens were at a loss as to how one could confuse a South Korean female as saying: "[Korea's] culture is really diverse. A lot of foreigners seem to visit [our country]", with what was actually said: "I hate [Japan]. Because it tormented Korea" (broadcasted subtitles).

The second incident involved Mitsubishi Materials Corporation. On July 19, 2015, at the Simon Wiesenthal Center in Los Angeles, a ceremony was held where senior executive officer Kimura Hikaru bowed in apology for the mistreatment of American prisoners of war during World War

II – the first time a Japanese company did so. This was less than a week after Mitsubishi Heavy Industries Ltd., appealed a ruling by Gwangju High Court in Korea, which had ordered the company to compensate the plaintiffs that were forced into labor during Japan’s colonial rule. The apology by Mitsubishi Materials immediately prompted [some](#) in Korea to question why South Korea was being left out.

Earlier in June, the *Asahi Shimbun* and the *Dong-A Ilbo* released the results of a joint [survey](#) that found roughly 90 percent of the respondents (86 in Japan, and 90 in Korea) judging the bilateral relationship to be in bad shape. A more interesting [poll](#) was released in May by Genron NP and the East Asia Institute (EAI), which claimed that the number one reason for South Korea’s negative impressions of Japan was “Japan’s lack of remorse for historical invasions” (74 percent), while the top reason for the positive impressions toward Japan was because the “Japanese people are kind and earnest” (63.9 percent). Though not fleshed out, the seeming contradiction is most likely attributable to the discrepancy between how people view the general populace as opposed to the government. Another remarkable finding was how the labels “nationalistic” and “militaristic” were more often associated with each country than the quality of being “democratic.”

The issue of nationality really made headlines in August, when news surfaced of the ongoing brawl for control within the conglomerate Lotte between two brothers, Shin Dong-bin (60) and Shin Dong-joo (61), wherein the younger brother ousted the 92-year-old father and founder, Shin Kyuk-ho. The Korean media, however, was giving as much (if not more) weight to how the feuding had exposed just how Japanese the Lotte Group is. There was almost a sense of betrayal by the public, which was taken by the fact that the brothers were more comfortable and capable of speaking Japanese than Korean, and that both had retained Japanese citizenship until they no longer qualified to serve in the Korean military given their age, at which point they picked up Korean citizenship. If this incident proves anything, it is that language and (in the case of men) military service are critical components of what defines a Korean.

So CEOs were in trouble. The silver lining may be that Chey Tae-won, the chairman of South Korea’s third-largest conglomerate, SK Group, was granted a pardon on the occasion of the anniversary of Korea’s independence from Japan.

Not “an” apology, but “the” apology

Amidst all the apologies by business leaders, there was also a push by various coalitions to extract an apology from Prime Minister Abe Shinzo, or to at least to make bold moves toward addressing Japan’s past of colonial rule and wartime aggression. In May, an “[Open Letter in Support of Historians in Japan](#)” signed by almost 200 scholars was reportedly mailed directly to Abe’s residence. In June, a group of 281 scholars and historians released a [statement](#) that underscored the importance of the Japanese government in resolving the “atonement projects” for South Korean victims of Japan’s wartime aggression. In July, during a meeting in the US between South Korean Representative Kim Moo-sung, the head of the Saenuri Party, and Sen. John McCain, the head of the Senate Armed Forces Committee, it was [reported](#) that Kim stressed the need for Japan to apologize and that “McCain reportedly told his visitors that he emphasizes the same message whenever he meets with Japanese officials, and that he plans to continue to

encourage Tokyo to apologize.” According to the *JoongAng Daily*, over 500 scholars had issued a joint statement urging Abe to issue a sincere apology for Japan’s wartime aggressions in light of the 70th anniversary. At around the same time, on July 13, two South Korean “comfort women/sex slaves” filed a defamation suit against Japanese figures (including Prime Minister Abe and Emperor Akihito) and companies (such as Toyota, Nippon Steel, Mitsubishi, and *Sankei Shimbun*) in a federal court in San Francisco, demanding compensation and an apology for being labeled as “prostitutes.” Even South Korean President Park’s younger sister, Park Geun-ryeong made [headlines](#) for her “pro-Japanese” remarks, when she said that “(Japan) including the Japanese emperor already made apologies to South Korea four times and it is wrong to ask continually,” during a recent interview with a Japanese video-sharing website, *Niconico*.

The unequivocal apology that South Korea wanted, of course, was not given in Prime Minister Abe’s [statement](#) in commemoration of the 70th anniversary of the end of World War II. Since its release, there have been many solid analyses of its content (including *PacNet*), so there will only be a brief mention here. Needless to say, thinking back to Public Speaking 101, one should never forget the most important element of any successful speech or statement: *who is your audience?* Who was the intended (not the perceived) audience of the statement really?

One has to wonder if the constant pressuring will not interfere with the desired level of “sincerity” (however measured) requested in the apology. In a slightly different way, Japan too, was trying hard to persuade North Korea to make progress on the matter of the Japanese abductees. In May, Yamatani Eriko, the Japanese minister in charge of the abduction issue announced that Tokyo was rallying support at the United Nations to turn up the pressure on Pyongyang to release information regarding the abductees. In June, [news](#) surfaced that the Japanese government had rejected a report drafted by North Korea during negotiations in the spring, on grounds that it did not have information regarding the 12 Japanese abductees in question. The Japanese Foreign Ministry expressed its displeasure at the North’s delay in producing a report of its reinvestigation into the abduction issue, and sent a notification through diplomatic channels in Beijing. Having received virtually nothing since the special committee into the abduction issue was launched by Pyongyang nearly a year ago, the Liberal Democratic Party (LDP) called for reinstating sanctions that were initially lifted in exchange for the reinvestigation. Nevertheless, Tokyo is sticking to the negotiation path (for now), by utilizing channels such as the ASEAN Regional Forum in Kuala Lumpur, to arrange a meeting between Foreign Minister Kishida Fumio and North Korean counterpart Ri Su Yong.

Autumn 2015

After the drama and attention paid to the ultimately anticlimactic set of speeches and statements made to commemorate the 70th anniversary of this or the 50th anniversary of that, the coming months may prove to be quieter. North and South Korea recently weathered their latest crisis, and neither appears set to introduce any new or innovative policies or proposals to Japan. President Park will visit the United States and China, while Prime Minister Abe appears to be more focused on dealing with domestic economic issues than on foreign policy. If the global economy is moving into “correction” territory, led by a slowdown in China’s economy, leaders and publics in both Korea and Japan may be focused more on business than politics as 2015

draws to a close, although there is always the possibility that yet another issue will draw attention again to their unresolved relationship.

Chronology of Japan-Korea Relations **May – August 2015**

May 3, 2015: Meeting on the sidelines of the Asian Development Bank annual meeting, the 18th ASEAN Plus Three Finance Ministers and Central Bank Governors Meeting (AFMGM + 3) is held in Baku, Azerbaijan, bringing China, Japan, and South Korea together to discuss issues of regional financial cooperation.

May 4, 2015: Japanese government announces that the International Council on Monuments and Sites (ICOMOS) has recommended Japan's "Sites of the Meiji Industrial Revolution" as a candidate to be listed on the World Heritage List.

May 5, 2015: Statement signed by nearly 200 scholars expresses a "shared concern for the way that the history of Japan and East Asia is studied and commemorated." The statement is a result of an open forum held at the Association for Asian Studies annual meeting in Chicago in March.

May 5, 2015: *The Japan Times* reports that Yamatani Eriko, Japan's minister in charge of the abduction issue, is seeking "specific actions" from the global community at the UN symposium on human rights in levying pressure against North Korea to make progress on the issue of the Japanese abductees.

May 9, 2015: North Korea announces the successful firing of a ballistic missile from a submarine. The test follows remarks by Japanese Defense Minister Nakatani Gen at the US-Japan Security Consultative Committee (2+2) meeting in New York on April 27 that Japan would retaliate against the North if it launches a missile attack on the US.

May 12, 2015: South Korean National Assembly passes a resolution condemning Japan's efforts to designate its "Sites of the Meiji Industrial Revolution" on UNESCO's World Cultural Heritage List.

May 12, 2015: Japanese police arrest three men for illegally importing matsutake mushrooms from North Korea. One is the son of the leader of the pro-Pyongyang General Association of Korean Residents in Japan (Chongryon).

May 12-13, 2015: Seventh round of negotiations on a trilateral Free Trade Agreement (FTA) among China, Japan, and the Republic of Korea is held in Seoul.

May 13-14, 2015: Japan-Korea Economic Association hosts a meeting in Seoul, bringing some 300 business leaders together to discuss ways to boost bilateral economic cooperation.

May 14, 2015: South Korea announces it is conducting a two-day military drill near the waters of Dokdo/Takeshima, involving the South Korean Navy and the Coast Guard.

May 15, 2015: Third China-Japan-ROK Counterterrorism Consultation is held in Beijing.

May 21, 2015: Japanese government files a complaint against South Korea at the World Trade Organization (WTO), challenging Seoul's import bans and testing restrictions on Japanese food after the 2011 Fukushima nuclear disaster.

May 21, 2015: Sixth bilateral meeting on economic and financial cooperation takes place in Tokyo, marking a resumption of such talks since the last meeting in Korea in November 2012.

May 22, 2015: Choi Jong-moon, South Korea's ambassador for cultural and UNESCO affairs, meets Shimmi Jun, Japan's director-general for cultural affairs, in Tokyo to relay Korea's concerns regarding Tokyo's efforts to designate its sites on the World Heritage List.

May 23-24, 2015: Japan and South Korea hold trade talks on the sidelines of the APEC meeting in Boracay, Philippines. The talks mark the first of its kind since April 2013.

May 26-27, 2015: Japan, South Korea, and the US hold trilateral talks regarding North Korea's nuclear program in Seoul.

May 28, 2015: Genron NPO and the East Asia Institute (EAI) release the results of their third Japan-South Korea joint public opinion poll.

May 29-31, 2015: Japan and South Korea hold their first bilateral defense talks in more than four years, on the sidelines of the Shangri-La Dialogue in Singapore.

June 1, 2015: Six-member Japanese delegation of the Japan-South Korea "Wise Man Group" visits Cheong Wa Dae, and meets President Park Geun-hye. The group was launched in March and held its first session in Tokyo, with the aim of exploring ways to improve Seoul-Tokyo ties.

June 2, 2015: Kyoto district public prosecutor's office indicts Ho Jong-do, the second son of the Chongryon chairman, and Kim Yong-jak, president of a food trading company in Tokyo affiliated with Chongryon, for smuggling in matsutake mushrooms into Japan from North Korea.

June 8, 2015: *Asahi Shimbun* reports that a group of 281 scholars including Wada Haruki, professor emeritus of the University of Tokyo and former executive director of the Asian Women's Fund, issued a statement urging the Japanese government to resolve the "comfort women/sex slaves" issue and other historical matters causing friction between Japan and Korea.

June 9, 2015: Second round of talks to discuss South Korea's concerns regarding Japan's designation of sites on the World Heritage List is held in Seoul.

June 9, 2015: Former Japanese Prime Minister Murayama Tomiichi and former Chief Cabinet Secretary Kono Yohei share their thoughts at the Japan National Press Club in Tokyo, urging Prime Minister Abe to honor the spirit of the 1995 Murayama statement.

June 11, 2015: Ihara Junichi, director-general of the Japan Foreign Ministry Asian and Oceanian Affairs Bureau, meets South Korean counterpart Lee Sang-deok for the eighth round of talks on “comfort women/sex slaves” in Tokyo.

June 11, 2015: In an interview with the *Washington Post*, President Park Geun-hye says that “considerable progress” has been made with Japan on the “comfort women/sex slaves” issue.

June 16, 2015: *The Japan Times* reports that the Japanese government had rejected a report drafted by North Korea during negotiations in the spring, on grounds that it did not have information regarding the 12 Japanese abductees in question.

June 18, 2015: Report released by the Korea International Trade Association (KITA) shows South Korea’s trade dependence on Japan as lowest on record, with Japan accounting for 7.6 percent of Korea’s total volume of imports and exports during the period of January to May.

June 20, 2015: *The Asahi Shimbun* releases findings of its joint survey with *Dong-A Ilbo* on Japan-South Korea bilateral relations, which shows about 86 percent of respondents in Japan expressing a pessimistic view, and roughly 90 percent with similar sentiments in South Korea.

June 21, 2015: Third Japan-Korea Future Dialogue hosted by Genron NPO and EAI takes place in Tokyo, one day ahead of the 50th anniversary of the normalization of bilateral ties.

June 21, 2015: Japan-South Korea Foreign Ministers meeting is held in Tokyo, marking Yun Byung-se’s first visit to Japan.

June 22, 2015: Prime Minister Abe attends an event to mark the 50th anniversary of the normalization of bilateral relations in Tokyo, while President Park does the same at a separate event held by the Japanese Embassy in Seoul.

June 22, 2015: South Korea’s Gwangju High Court upholds a ruling that orders Mitsubishi Heavy Industries Ltd., to pay compensation to five South Korean plaintiffs on grounds of forced labor during Japan’s occupation of the Korean peninsula.

June 22, 2015: Commemoration of the 50th anniversary of the signing of the Treaty on Basic Relations between Japan and the Republic of Korea.

June 24, 2015: Bunka Gakuen University in Tokyo signs a memorandum of understanding with the South Korean government commemorating a donation of the traditional garment worn by Princess Deokhye, the daughter of King Gojong (1852-1919) and the last princess of Korea’s Joseon Dynasty (1392-1910).

June 29, 2015: *Fuji TV* apologizes after heavy criticism for intentionally manipulating subtitles in a segment titled, “why Koreans hate the Japanese so much” in a program aired on June 5.

July 3, 2015: *Japan Foreign Press Center* lists a good [summary](#) of recent editorials in Japan of the current state of Japan-South Korea bilateral relations.

July 3, 2015: Japanese Foreign Ministry criticizes North Korea for its delay in releasing its report on the reinvestigation into the Japanese abductees.

July 5, 2015: At the 39th session of the UNESCO World Heritage Committee in Bonn, Germany, a decision is made to inscribe the 23 facilities put forth by Japan on the World Heritage List.

July 6, 2015: [Editorial](#) in *Asahi Shimbun* calls for a new game plan in dealing with North Korea.

July 6, 2015: Japan's Chief Cabinet Secretary Suga Yoshihide says that while Koreans were forced to work at the sites listed on the World Heritage List, they were not "forced laborers."

July 13, 2015: Mitsubishi Heavy Industries Ltd., appeals South Korean court ruling in June, stipulating the company must pay compensation to five former South Korean employees that were forced into labor during Japan's colonial rule. The case will now go to the Supreme Court.

July 15-17, 2015: Meeting between Japan and South Korea's intelligence bureau chiefs occurs in Seoul, amidst speculations about a potential military information sharing agreement.

July 17, 2015: South Korea returns one of two Korean Buddha statues to Japan, stolen by South Korean thieves from separate shrines in Tsushima, Nagasaki Prefecture in October 2012.

July 17, 2015: Chief of the Joint Staff of the Japan Self-Defense Forces Adm. Kawano Katsutoshi states that Japan's role would be to provide "logistical support" in a contingency on the Korean Peninsula.

July 20-24, 2015: Eighth round of trilateral FTA negotiations among China, Japan, and South Korea takes place in Beijing, China.

July 21, 2015: Japanese Cabinet adopts its annual defense [white paper](#), which claims Dokdo/Takeshima as part of Japan's territorial sovereignty. South Korean government summons Kanasugi Kenji, minister and deputy chief of mission at the Japanese Embassy in Seoul, to protest.

July 21, 2015: *Yonhap News* reports that the South Korean government has ruled out the possibility of forging a General Security of Military Information Agreement (GSOMIA), citing Defense Ministry spokesperson Kim Min-seok as saying that "there are no discussions on GSOMIA or Acquisition and Cross-Servicing Agreement nor any moves to do so."

July 23, 2015: During his nine-day visit to the US, Kim Moo-sung, chairperson of the ruling Saenuri Party tells US leaders that Prime Minister Abe must not backtrack from previous statements of apology. Kim also meets US House Democratic leader Nancy Pelosi, who urges Abe to make a clearer statement on Japan's involvement in the sexual enslavement of women.

July 28, 2015: Senior diplomats from Japan, South Korea, and the US gather in Tokyo to discuss North Korea's nuclear program.

July 29, 2015: South Korean actor Bae Yong-joon gets married, prompting some 200 of his fans (many of whom flew from Japan) to line up outside the venue to catch a glimpse of the actor.

July 29, 2015: Two former “comfort women/sex slaves” file a defamation suit in a federal court in San Francisco against the Japanese government, the late Emperor Hirohito, former Prime Minister Kishi Nobusuke, and seven companies, including Mitsui and Mitsubishi.

July 29, 2015: *The Korea Herald* reports that a group of 524 intellectuals issued a joint statement urging the government in Tokyo to face up to its past wartime atrocities and uphold previous statements about Japan’s aggression and colonial rule.

July 30, 2015: *Yomiuri Shimbun* reports that the LDP has sent a written proposal to Prime Minister Abe, calling on him to “restore Japan’s honor and trust by eradicating misperceptions overseas about the so-called comfort women issue,” and to “make forthright counterarguments to groundless criticism of Japan on this issue.”

July 30, 2015: President Park’s sister, Park Geun-ryeong is criticized for saying that “(Japan) including the Japanese emperor already made apologies to South Korea four times and it is wrong to ask continually,” during an interview with a Japanese video-sharing website, *Niconico*.

Aug. 3, 2015: President Park meets Okada Katsuya, the head of Japan’s Democratic Party of Japan (DPJ), at Cheong Wa Dae in Seoul.

Aug. 6, 2015: The 16th ASEAN+3 Foreign Ministers Meeting is held in Kuala Lumpur.

Aug. 6, 2015: Japan’s Foreign Minister Kishida Fumio meets North Korean counterpart Ri Su Yong on the sidelines of the ASEAN Regional Forum (ARF) in Kuala Lumpur.

Aug. 12, 2015: Former Japanese Prime Minister Hatoyama Yukio kneels before a memorial at Seodaemun Prison History Hall in Seoul and apologizes for Japan’s wartime aggression.

Aug. 12, 2015: South Korean man sets himself on fire during a protest calling on Japan to apologize for its enslavement of “comfort women/sex slaves.”

Aug. 14, 2015: Prime Minister Abe releases a [statement](#) in commemoration of the 70th anniversary of the end of World War II.

Aug. 15, 2015: President Park gives a commemorative [address](#) on the 70th anniversary of Korea’s liberation. She appeals to the Japanese government “to match with consistent and sincere actions its declaration that the view of history articulated by its previous cabinets will be upheld,” and in particular, “hope the Japanese government resolves the issue of “comfort women” victims of the Japanese Imperial Army in a speedy and proper way.”

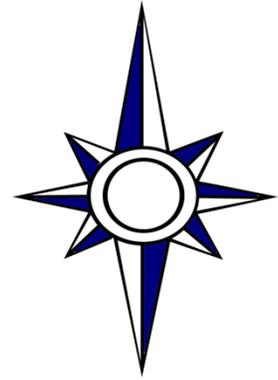
Aug. 15, 2015: Three Japanese Cabinet ministers visit Yasukuni Shrine to pay their respects. In separate visits, 66 Japanese lawmakers also pay their respects. Prime Minister Abe sends a monetary offering without a physical visit.

Aug. 15, 2015: Emperor Akihito gives a [speech](#) at a memorial ceremony marking the 70th anniversary of Japan's defeat in World War II, voicing "deep remorse over the last war," and adding that "I earnestly hope that the ravages of war will never be repeated."

August 26, 2015: The 1,193rd weekly demonstration in front of the Japanese Embassy in Seoul is held. The demonstration includes a ceremony for Choi Hyun-yeol, who died after self-immolation on Aug. 12.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



China-Russia Relations:

Tales of Two Parades, Two Drills, and Two Summits*

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In contrast to the inactivity in Sino-Russian relations in the first four months of the year, strategic interactions went into high gear in mid-year. It started on May 8 with the largest military parade in post-Soviet Russia for the 70th anniversary of the Great Patriotic War and ended on Sept. 3 when China staged its first-ever Victory Day parade for the 70th anniversary of its war of resistance against Japan's invasion of China. In between, the Russian and Chinese navies held two exercises: *Joint-Sea 2015 (I)* in May in the Mediterranean and *Joint Sea-2015 (II)* in the Sea of Japan in August. In between the two exercises, the Russian city of Ufa hosted the annual summits of the SCO and BRICS, two multilateral forums sponsored and managed by Beijing and Moscow outside Western institutions. For all of these activities, Chinese media described Sino-Russian relations as “[For Amity, Not Alliance.](#)”

Moscow's Victory Day parade

President Xi Jinping's Moscow visit from May 8-10 was part of his three-country tour of Kazakhstan, Russia, and Belarus. The focal point of the Moscow stop was to join in the victory commemoration of the 70th anniversary of the Great Patriotic War, Russia's name for World War II, and to meet Russian President Vladimir Putin. In the absence of Western leaders and military units (in 2010, US, UK, France, Ukraine, and Poland all sent military representatives to join the parade), who were boycotting the event to protest Russia's takeover of Crimea, Xi was the most prominent among foreign dignitaries. In the words of Moscow's *Lenta.ru*, Xi was “the most influential foreign leader to come to Moscow for the Victory Parade.” This was Xi's fourth trip to Russia and his 11th meeting with Putin since their first meeting in early 2013 when Xi became China's head of state.

After their talks on May 8, the two leaders signed a “Joint Statement on the Development of Comprehensive Partnership and Strategic Interaction and Mutually Profitable Cooperation,” which pledged to remember history, strengthen practical cooperation, and closely coordinate in foreign policy areas. The bulk of the statement (about 70 percent) was about foreign policy and international issues, including Korea, Iran, Syria, Afghanistan, Ukraine, anti-terror efforts, missile defense systems, outer-space, the environment, cyber security, SCO, BRICS, G20, UN, APEC, and trilateral forums such as Russia-China-India and Russia-China-Mongolia. The document was by far the most foreign policy-focused document by top leaders of the two countries. This did not mean they ignored other issues. It was, however, indicative of a growing

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sense of urgency for coordination in foreign and security policy areas as both Moscow and Beijing were facing pressure from Washington (in Ukraine and the South China Sea).

Xi's visit was well featured in Russia's public space. In a documentary entitled "Russia and China: The Heart of Eurasia" shown on the *Rossiya 1* television station, President Putin described relations between Russia and China as "trustful" saying, "Relations between our countries have reached a very high level, which we often call unprecedented. First and foremost, this has become possible because we have managed to secure a very high level of trust in our relations.... The interests of our states coincide in most areas and form the core of our relationship today," and that included the UN, SCO and BRICS. He went to say that "We are not building any alliances directed against anyone else. This is our principle. We are not establishing any inaccessible blocs. It is just the joint work of states with common interests."

Xi's attendance at Russia's Victory Day military parade followed former Chinese presidents, including Jiang Zemin and Hu Jintao, who joined similar events in Moscow. Russia has held a parade to celebrate the event every five years since 1995 (Russia canceled the event after the Soviet collapse but resumed following public requests). This year was the first time a PLA honor guard participated. It was also the largest parade since the end of the Soviet era with about 16,000 Russian troops, 194 military vehicles, and 143 aircraft taking part, including some cutting-edge weapons such as the next-generation *Armata T-14* tank. The 112-member PLA honor guard unit was the largest foreign contingent, which included Kazakhstan, Kyrgyzstan, Tajikistan, Azerbaijan, Mongolia, India, Serbia, Armenia, and Belarus.

Curiously, Russia's military parade was not broadcast live by Chinese TV. It was unclear if China tried to avoid being "too intimate with Russia" at the expense of its relations with the West, as claimed by Shi Yinhong, an authoritative foreign policy specialist in Beijing. China, however, has never provided full coverage of a foreign military parade in the past. Moreover, China would do its own victory day parade in September. Regardless, both Russia and China attached great importance to their respective 70th anniversary commemoration ceremonies. Xi's participation in the Moscow parade on May 9 would be reciprocated by Putin on Sept. 3, which is China's Victory Day for World War II designated by the then Nationalist government in 1945, a day after Japan signed its unconditional surrender to the allied forces, including China, aboard the *USS Missouri* on Sept. 2, 1945.

The importance of WWII in China and Russia's collective memory is not only for ceremonial purposes in the 21st century as both countries have carried a heavy burden of the past. "In this war, our countries suffered the greatest losses," Putin said at a joint news conference with Xi immediately after their talks on May 8. Between 1941 and 1945, 26.6 million Russians died, including 11 million military deaths. 12.7 percent of the Russian population perished during the war, which was surpassed only by Ukraine (16.3 percent) and Belarus (25 percent). In contrast, the UK lost 450,000 people, which was less than 1 percent of its population, France lost 550,000 of its citizens, or 1.35 percent of its population, and the US suffered 420,000 dead, or .32 percent of its population. "That's why we consistently oppose any attempts to rehabilitate Nazism and militarism, and why we oppose the falsification of history," Putin added in his Victory Day speech. An estimated 300,000 people walked through Red Square holding portraits of relatives who fought in the war. Putin joined them with a photo of his father, a navy veteran.

In its 14-year war with Japan, China suffered 35 million casualties, including 20 million deaths; most of them civilians because of large-scale atrocities committed by Japanese troops. Japan's war in China also caused \$500 billion in direct property loss, which effectively ended China's second effort to modernize itself after the Opium War of the 1840s.

The Soviet air squadrons – more than 2,000 Russian pilots and 1,000 aircraft – joined the war in China in 1937, four years before the US “Flying Tigers” launched their first air battles in China in December 1941. More than 200 Russian pilots died in China. After the Soviet Union declared war against Japan in August 1945, 1.7 million Red Army members entered China's northeast and wiped out nearly 700,000 Japanese Kwantung Army forces in three weeks; nearly 10,000 Soviets died in the last few weeks of WWII.

In China's war against Japan's aggression, “the Soviet Union provided valuable political and humanitarian support to China as well as large quantities of supplies and equipment for the Chinese people,” Xi noted in a signed article carried by the state-run newspaper *Russian Gazette* a day before he arrived in Russia. “If we lost the memory of our past, our mind and soul would be lost in the darkness,” Xi quoted Russian historian Vasily Klyuchevsky. In his speech at the Victory Day parade, President Putin said, “I extend my gratitude to the representatives of the countries that fought Nazism and Japanese militarism.” It was quite unusual for Putin to mention Nazism and Japanese militarism in the same sentence, which was a clear sign of Russia's support for Beijing's view of WWII history. Normally, top Russian officials only mention “fascism” in the context of WWII commemorations as Russian Security Council Nikolai Patrushev did after the 11th round of Russian-Chinese consultations on strategic security with Chinese State Councilor Yang Jiechi on May 25 in Moscow. Including Japan was also an apparent snub of Japan for joining US-led economic sanctions against Russia over the conflict in Ukraine.

In Moscow, Xi also met 18 Russian veterans who fought on the battlefields of Northeast China and in Russia's Great Patriotic War, as well as several Russian experts who contributed to the early development of the People's Republic of China.

Integrating Silk Road and EEU? Not too fast

Following their talks, Putin and Xi presided over a signing ceremony of 32 accords worth \$25 billion, including agreements on a \$6 billion loan for the 770-km Moscow-Kazan high-speed rail, to deliver to China of 30 billion cm of gas per year for 30 years via the so-called Western route pipeline, a \$3 billion leasing operation to sell 100 Russian medium-haul, Sukhoi-made *SuperJet-100* passenger planes over three years in China and Southeast Asia, a \$2 billion fund to invest in agricultural projects in the two countries, the integration of Russian Glonass and Chinese Bei Dou satellite navigation systems, gold mining, and R&D for the next generation of heavy helicopters.

The Silk Road Economic Belt and the 21st-Century Maritime Silk Road initiative – commonly known as China's “Belt and Road Initiative” – was high on Xi's agenda throughout his trip. Indeed, Xi's trip to Kazakhstan, Russia, and Belarus was almost a blueprint of China's design for integrating the Eurasian economies through large transportation and infrastructural projects.

Nearly 90 deals were signed during Xi's visit to these three "Silk Road" nations in areas including trade, energy, space, finance, investment, and infrastructure. Since the inception of the Silk Road initiative in September 2013, China has earmarked \$40 billion to support infrastructure projects along both the land and sea routes. Trade between China and nations along the Belt and Road has already reached \$1.12 trillion in 2014, and China hopes it will surpass \$2.5 trillion in a decade.

Until recently, Russian officials have treated China's Belt and Road project with skepticism and even hostility lest it undermine Russia's traditional control in Central Asia. Many current and potential members of the Eurasian Economic Union (EEU) trade bloc are located along the old Silk Road between China and Europe. The signing of the "Joint Declaration of the Ministry of Commerce of the People's Republic of China and the Eurasian Economic Commission Regarding Launching an Economic Partnership Agreement between China and the Eurasian Economic Union" appeared to be a major departure from Russia's guarded posture. Because of Western sanctions, Russia's financial-economic policy bloc has begun realizing that China's Silk Road program is "entirely compatible with Russia's interests," reported Moscow *Nezavisimaya Gazeta* in mid-May. The two sides agreed to create a dialogue mechanism for integrating China's Road & Belt with Russia's EEU. The goal is to start exploring the possibility, and perhaps the limits, of closer "cooperation" between the two mechanisms.

The issue seemed to assume some urgency during Xi's stay in Moscow. Immediately after the Putin-Xi talks, Chinese Commerce Minister Gao Hucheng and Russia's Eurasian Economic Commission Trade Minister Andrey Slepnev met and discussed issues relating to the possible cooperation between China's Silk Road and Russia's EEU. Citing a "broad consensus on jointly building the 'Silk Road' Economic Belt and cooperating on Eurasian economic integration" between Putin and Xi, Gao was quoted as saying that "China is a major trading partner for each EEU member state," and "the two sides must establish a systemic arrangement for trade facilitation through this agreement, and eventually establish a free trade zone." Slepnev appeared less enthusiastic about the idea of establishing a free trade zone. Instead, he emphasized creating "a solid foundation" for the establishment of a free trade zone with China "in the future." Slepnev did not spell out how much time was needed to create such a foundation and how "solid" it should be. The signed joint statement pledged eight measures to facilitate and expand cooperation in the areas of economics, investment, transportation, and finance. Some in Russia, however, anticipated a 10-15 year process for a possible free trade zone between the EEU and Silk Road, if it is desirable by both sides.

Military relations

President Xi was accompanied on his visit to Moscow by Gen. Fan Changlong, vice chairman of the Central Military Commission (CMC), which was the first time a CMC vice chairman had accompanied a Chinese president on a foreign trip during the reform decades. In 1957, Mao Zedong brought Defense Minister and Vice Premier Peng Dehuai to Moscow. Prior to attending a military parade, Mao reportedly told Peng to carefully observe Soviet equipment and then identify any equipment that China should purchase. The Russia-China military relationship today is far broader and deeper than the early days of the People's Republic. Some recent, and more sophisticated, Russian military technologies, however, still attract the PLA.

After Xi departed Russia on May 10, Fan stayed on for a bilateral meeting with Defense Minister Sergei Shoigu. Afterward, Fan and his party were invited to visit Russia's new National Defense Management Center that became operational at the end of 2014; they were given "a detailed description of the center's function's and goals."

One of Fan's missions in Moscow was to follow up with issues of "military-technical cooperation," which was an area of "special attention" in the Putin-Xi talks on May 8. Fan's party included Gen. Yi Xiaoguang, deputy chief of general staff of the PLA, and Wang Li, vice director of the PLA General Armaments Department. "We intend to expand it [military-technical cooperation] consistently. This area of collaboration has an important place in the complex of Russian-Chinese relations," Defense Minister Shoigu was quoted as saying. Prior to Xi's visit, Russia and China had been negotiating several large arms transfers including the purchase of 24 *Sukhoi-35* multirole fighter jets, six *S-400* anti-aircraft missile systems, and some fifth-generation *Kalina*-class conventional submarines. The first two items had been finalized making China the first foreign buyer of Russia's most sophisticated air defense system. Chinese sources indicated that the *Su-35s* were scheduled to be delivered to China in 2017.

Russian Deputy Defense Minister Anatoliy Antonov told the media that cooperation with China aimed to "increase joint potential to counter new challenges and threats," adding that the two countries "shared" positions on "challenges and threats." He noted the "need to restructure the current world order, move away from double standards and strengthen equal and mutually advantageous relations in the world."

Two naval drills: from Mediterranean to the Sea of Japan

A week after Xi's visit to Russia in early May, Chinese and Russian warships conducted the first of two joint exercises in 2015 code-named *Joint-Sea 2015 (I)* in the Mediterranean Sea. A second exercise was held in the Sea of Japan in late August. In the past few years, China and Russia have normally held one naval exercise per year. The Mediterranean exercise was described as the first stage of the same exercise. The vast distance between their locations and the three-month interval, however, do not seem to support such a characterization.

In the Mediterranean phase, three PLAN ships drilled with six Russian ships. These ships were about 10,000 km from their home ports in China and the exercise area was the farthest removed joint exercise of the PLAN. The Chinese ships did not sail directly from their home ports but from the Gulf of Aden after their UN-authorized anti-piracy missions there. The three Chinese vessels (guided missile frigates *Linyi* and *Weifang*, and supply ship *Weishanhu*) first entered the Black Sea and called at Novorossiysk, where they took part in the local Victory Day celebrations on May 9. After that went to the Mediterranean where they joined six Russian naval ships (guided-missile cruiser *Moskva*, frigate *Ladny*, landing ships *Alexander Shabalin* and *Alexander Otrakovsky*, hoverborne guided missile corvette *Samum* and tugboat *MB-31*) to practice navigation safety, at-sea replenishment, escort missions, night-time maneuvering, anti-frogmen, anti-submarine, air defense, and anti-ship missile simulation exercises.

The exercise was jointly led by Russian Navy Vice Adm. Aleksandr Fedotenkov and Deputy Commander of the PLAN Vice Adm. Du Jingchen. A key feature of the exercise was joint command, control and communication. Since the warships were divided into mixed tactic combat groups during the exercises, both the “blue” and “red” teams had vessels from both countries. Liaison officers were assigned to each other’s ships to facilitate communication and operation during the exercise. The anti-submarine and air defense simulations required both navies to share their radar and sonar data, which displayed “a high level of trust between the two countries,” said Zhang Junshe, a research fellow at the Chinese Naval Research Institute.

Three months after the Mediterranean exercise, the navies staged the second phase of their *Joint Sea-2015* on Aug. 19-28 in the Peter the Great Gulf and areas off the coast of the Clerk Cape, as well as in the airspace above and waters of the Sea of Japan. A total of 23 surface vessels, two submarines, 15 fixed-wing aircraft, two unmanned aerial vehicles, eight ship-borne helicopters, 30 pieces of amphibious equipment and 200 marines participated in the drill. The Russian Navy sent 16 surface ships, two submarines, nine units of amphibious equipment, and 200 marines for the drills. The Chinese forces included seven surface vessels and six shipborne helicopters from the Navy, five fixed-wing aircraft from the Air Force, 200 marines, and 21 amphibious units.

The theme of the second phase of the exercise was “joint assurance of sea traffic and joint landing activities.” The drills focused on improving anti-submarine combat, joint air defense, joint anti-ship, and other relevant missions. A joint beach landing of troops was also part of the exercise, which was the first time for the two militaries. The two navies again integrated their forces including for the amphibious landing.

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The two *Joint Sea* exercises in 2015 were not the largest joint naval drill between the Chinese and Russian navies. The 2012 *Joint-Sea* exercise in waters near Qingdao, which started the series, involved 25 warships, 13 planes and nine helicopters. This was followed by *Joint-Sea 2013* on July 5-12, 2013 near Peter the Great Gulf. A total of 19 vessels, eight airplanes, and two Special Forces teams participated. The maneuvers focused on joint air defense, escorts, and maritime search and rescue operations. *Joint-Sea 2014* was held on May 20-26, 2014 in the northern part of the East China Sea with 14 warships, two submarines, nine airplanes, and six helicopters. Prior to the *Joint-Sea* series, the two navies drilled together in the *Peace Mission 2005* exercises within the SCO framework on Aug. 18-25, 2005. Some 10,000 ground troops, ships and warplanes participated. It started in Vladivostok and moved to the Shandong Peninsula and nearby waters.

The two *Joint-Sea* drills in 2015 were certainly the longest of all naval drills since 2012 – 10 days for phase I and nine days for phase II. The longer duration of both exercises means more items were practiced. Closer interoperability was also prioritized. For the PLAN, the *Joint-Sea* series is perhaps the only opportunity to learn from a major navy. PLA sources indicated that the PLAN has quickly narrowed gaps in equipment and human quality with Russia. In some areas, particularly in gunnery precision, Chinese sailors outperformed their foreign counterparts.

In retrospect, the degree of interoperability of the Chinese and Russian navies reached a new height during the *Joint-Sea 2015(I)*, as the ships were mixed in the “blue” and “red” teams. In

the anti-submarine drills, the blue team was given no prior warning and notification. These features were still far behind the scope and degree of interoperability of the US-led drills. In comparison to separate formations and operations with limited communication and intelligence sharing in previous drills, however, *Joint-Sea 2015* was a considerable improvement.

Joint-Sea 2015(I) was not the first PLAN presence in the Mediterranean and its surrounding waters. The PLAN began expanding its reach toward the Mediterranean in 2008, when it first sent ships to join the UN-authorized anti-piracy patrols. In 2011, China evacuated 35,000 citizens from Libya during its civil war. This was followed by another effort in 2013 when it joined Russia in sending warships to Syria to escort ships carrying Syrian chemical weapons through waterways close to the Mediterranean Sea. In April 2015, China dispatched three ships from its anti-piracy patrols to evacuate Chinese citizens and other foreign nationals from fighting in Yemen. China's growing "space of interest" is often cited as justification for the PLAN's drill in the Mediterranean. PLAN analyst Li Jie (李杰), for example, described the Mediterranean as "an important linkage for China's "maritime Silk Road" route through the Strait of Malacca, Indian Ocean, the Red Sea, and the Mediterranean to Europe." The Mediterranean exercise would allow the PLAN to better understand the conditions in those waters for future tasks of anti-terror, anti-piracy, and emergency evacuation of Chinese nationals from these places.

The choices of the exercise areas – the Mediterranean and the Sea of Japan – were widely perceived as sensitive to the West and Japan, hence the wide speculation about alliance-building propensity of Moscow and Beijing. China claimed the choice of the Mediterranean was made by Russia's Black Sea Fleet, which chose the exercise area. China's Defense Ministry stated that the aim of the drill was to deepen "friendly and practical cooperation" and increase the two navies' abilities to jointly deal with maritime security threats. Both China and Russia denied, as they usually do, that their naval drills were targeted at any third party. "We have to stress that these exercises are not aimed at any third party and have nothing to do with the regional situation," China's Defense Ministry spokesman said at a monthly news briefing. China's naval presence in the backyard of NATO nations at the height of West's sanctions against Russia, however, was, in effect, support for Russia admitted Gao Chen, a senior scholar in the Chinese Academy of Social Sciences in Beijing. Russian media were more forthcoming in this regard. "A Beijing-Moscow strategic line is coming into being before our very eyes," claimed Moscow *Rossiya 1* Television. "The USA creates problems for Russia in the west, so we go east. The USA restricts China's advancement in Southeast Asia and sets China against Japan, so China goes west, and here we meet," the report said. "China and Russia have their own strategic interests in the Mediterranean Sea. Russia's intended military presence in Europe has been restricted by NATO. Its expanding reach into the Mediterranean will in return create pressure for the US and NATO and will help Russia keep its hold of Crimea," said Su Hao, director of the Asia-Pacific Research Center of the China Foreign Affairs University.

No one in either China or Russia has offered a convincing explanation for conducting two *Joint Sea* drills in 2015. The timing of the two drills, however, suggests that the two phases were close to the Victory Day parades in Russia and China. Phase I drills in the Mediterranean were kicked off only two days after Russia's Red Square military parade, and phase II in the Sea of Japan was just a few days before China's military parade in Beijing in late August. Perhaps China and

Russia were hoping to use the joint drills as part of the efforts to commemorate the 70th anniversary of the end of WWII, but no one said it.

SCO and BRICS Summits, and more...

Between the two naval drills, the Russian city of Ufa hosted the summits of the BRICS and SCO on July 9-10, two major multilateral organizations created and dominated by Russia and China. Despite considerable overlap in membership, it was the first time since their inceptions that the two annual gatherings of heads of state (SCO's 15th and BRICS' 7th) were held together. Since 2015 was Russia's turn to host these summits, perhaps it made sense to combine the two meetings for the sake of efficiency. What differentiated the Ufa Summit from previous ones, however, was an informal SCO-BRICS-EEU (the Eurasian Economic Union) gathering on July 9 of all participating heads of state at the two formal summits. Of the 20 heads of state present in Ufa, Putin was the only one who was at the heart of all three regional and multilateral groupings of the SCO, BRICS, and EEU.

Overlapping Membership: SCO, BRICS & EEU

Countries	SCO	BRICS	EEU
Afghanistan	<i>O</i>		
Armenia	<i>Dp</i>		*
Azerbaijan	<i>Dp</i>		
Belarus	<i>O</i>		*
Brazil		*	
Cambodia	<i>Dp</i>		
China	*	*	
India	^	*	
Iran	<i>O</i>		
Kazakhstan	*		*
Kyrgyzstan	*		*
Mongolia	<i>O</i>		
Nepal	<i>Dp</i>		
Pakistan	^		
Russia	*	*	*
South Africa		*	
Sri Lanka	<i>Dp</i>		
Tajikistan	*		
Turkey	<i>Dp</i>		
Uzbekistan	*		

^ SCO Acceding States

O SCO Observer States

dp SCO Dialogue Partners

In light of the Western sanctions following Russia's Crimea seizure and its Ukraine policy, this summitry was a timely reminder of Russia's diplomatic clout in the world, particularly outside the West. The choice of Ufa as the site of the two summits also highlighted Russia's national

identity as a Eurasian power between, and encompassing, the East and West. For the combined summits in Ufa, Chinese Foreign Minister Wang Yi was quoted as saying that the arrangement was “what happened but not accidental (是偶遇, 但不偶然).” Exactly what Wang meant is anybody’s guess. Russia was certainly maximizing this diplomatic opportunity to bolster its image at a time of tension with the West.

“Different historical, cultural and religious traditions and socioeconomic systems typical for us do not separate us but, on the contrary, help us build a fair and comprehensive partnership model capable of ensuring stable global governance in the 21st century,” Putin said in his opening statement of the informal trilateral meeting. His talk about global governance was perhaps not purely rhetorical. The SCO occupies 60 percent of the Eurasian landmass and a quarter of the world’s population. BRICS nations have 42 percent of the world’s population, 26 percent of the land, and 27 percent of the world’s GDP. Despite some overlapping membership, the combined power and space of the three groups in the global power matrix deserve the attention of others.

Regardless of what Putin did to amplify the Ufa gathering, the substance of the combined summits was more important. The two largest multilateral groups administered by Moscow and Beijing made significant strides in institution building in Ufa. The two summits started with the BRICS, which elevated the cooperation of the five non-Western economies onto a new level in two specific areas. One was the establishment of the New Development Bank (NDB) with \$100 billion as initial capital and a \$100 billion Contingent Reserves Arrangement (CRA); the two financial instruments operate outside the existing international institutions of the IMF, World Bank and the Asian Development Bank (ADB), which are dominated by the West and Japan. Prior to the Ufa summit, the Board of Governors of the NDB held its inaugural meeting and K.V. Kamath (Indian), former Chairman of ICICI Bank and Infosys Ltd., was chosen as NDB’s president for a five-year term. With its new office, which started operations in May in Lujiazui, the financial district of Shanghai, the NDB is set to process and approve its inaugural investment projects in late 2015 or early 2016.

While launching its new financial infrastructure, BRICS nations were also exploring new areas of cooperation in non-economic areas. Under the Russian chair prior to the Ufa Summit in 2015, BRICS held numerous mid-ranking official and expert-level workshops, conferences, and consultations in the areas of drug trafficking (Moscow, April 20 & 22), the environment (Moscow, April 21-22), foreign policy dialogue (Moscow, May 15), outer space (Moscow, May 20), think tanks council (Moscow, May 21), the Middle East, South Asia, and North Africa (Moscow, May 22), national security advisors (Moscow, May 26), health ministers (Geneva, May 26), parliamentary forum (Moscow, June 8), cultural ministers (Moscow, June 16-17), cyber and information security (June 16-18), disease control (Moscow, June 23-24), civil BRICS (Moscow, June 28-July 1), youth affairs (Kazan, July 4), youth summit (Kazan July 4-7). After the Ufa Summit, a total of 26 functional meetings will be held, including telecommunications, disaster management, national statistics, social and labor issues, the BRICS website, anti-corruption, young diplomats, young scientists, young entrepreneurs, BRICS universities, etc. If these were not enough, Russia initiated an international forum of “Young Journalists, Bloggers and Photo Reporters, including those representing the BRICS countries.” Meanwhile, BRICS members will explore dialogue on peacekeeping, the creation of BRICS regional councils, and cooperation and exchange among BRICS media professionals.

The 13,000-word, 77-clause Ufa Declaration was the longest, most comprehensive, and most ambitious document ever released by any multilateral institution managed either by Moscow or Beijing, or by both. In comparison, the Fortaleza Declaration for the sixth BRICS Summit had 72 clauses and the Durban Declaration for the fifth Summit has 43 clauses. Aside from addressing intra-BRICS issues, the Ufa Declaration covered numerous global governance issues, ranging from the UN (4, 6, 7, 22), WWII commemoration (5), noninterference of internal affairs (8), human rights (10), G-20 (18), IMF reform (19), WTO (21), terrorism (27), drugs (28), corruption (29), transborder crimes (30), piracy (31), outer space (32), cyber transparency, regulation and security (33, 34), disaster relief (35), Syria (36), ISIS (37, 38), Israeli-Palestine conflict (39), Iran nuclear programs (41), Afghanistan (42), Ukraine (43), Libya (44), South Sudan (45), Somalia (46), Mali (47), Congo (48), Burundi (49), Central Africa Republic (50), African stability (51), immigration (59), health care and disease control (60, 61), cultural exchange (64), development (65, 66), climate change (67), and energy (69). In fact, 41 of 77 issues covered by the BRICS Ufa Declaration were global issues. To what extent the BRICS nations will be able to affect the outcomes of these issues remains to be seen, particularly at times when BRICS economies are experiencing slowdown and volatility. The numerous global issues covered by the declaration indicate a rapidly expanding horizon of this non-Western economic forum. Prior to the Ufa Summit, Russia urged BRICS nations to increase military technology cooperation. In the fifth meeting of high-ranking security representatives of the BRICS nations in Moscow on May 26, Russian Security Council Secretary Nikolai Patrushev told BRICS nations that “it is necessary to increase cooperation between our countries in such fields as military-technical collaboration, the joint fight against terrorism, extremism, separatism, cross-border crime, and to withstand other new challenges and threats.” Patrushev also warned that the West had exercised political and financial pressure on the BRICS countries in an attempt to undermine the bloc’s economic might. The West, he added, was also using an increasing amount of informational warfare to “artificially highlight” national, religious, and cultural discord among the five BRICS countries. “An area of vulnerability of the BRICS had been capital outflows from the BRICS economies, which amounted to at least \$3.5 trillion in the past 10 years and was accelerating in the past three years,” estimated Patrushev.

Both Russia and China denied that BRICS was moving toward a political association or military alliance. Nor would an anti-West BRICS be in the interests of BRICS members, as almost all of them are deeply integrated with the international economic system dominated by the West. Beyond that, however, BRICS nations have been concerned about many global governance issues such as IMF reform (or lack of it), instability and wars in many parts of the non-West directly or indirectly caused by Western intervention, growing refugee issues, etc. For many in the BRICS nations, the return of West-West conflict after an almost a quarter of a century “intermission” since the end of the Cold War – which is the Ukraine crisis – is perhaps more disturbing as Europe again is being destabilized by the rise of more extreme forces of both sides, including neo-Nazism. Many in the non-West, including the BRICS nations, do not want to choose sides between the two “West” (US/EU vs Russia), or two Western principles of sovereignty (for Ukraine) and self-determination (in Crimea). Beyond their collective neutrality, expressing concerns for Ukraine and many other post-intervention crises (Iraq, Afghanistan, Syria, Libya, and many African states) is perhaps normal. That said, there is perhaps little that the BRICS could do.

While BRICS is broadening its scope to include non-economic issues, the SCO seems to be heading in the opposite direction – moving from a largely security-focused forum to an economic platform. For the first time, the SCO post-summit declaration expressed support for the China’s Silk Road Economic Belt initiative. Since China announced the initiative in September 2013, Russia had not expressed support, fearing its own economic integration project (the EEU) was in conflict with China’s effort to revive the old Silk Road dream. In the past two years, at least three developments seem to have turned Russia around. One is the Western sanctions against Russia for its Ukraine policy and takeover of Crimea. As a result, the Russian economy has been struggling. China’s ambitious economic thrusts through Eurasia and beyond (AIIB, NDB, CRA, etc.) are real alternatives for the Russian economy. Additionally, China has separately set up a \$5 billion China-Europe Fund for Economic Cooperation and a \$5 billion fund for SCO member states. Both were in operation before the AIIB, NDB, and CRA.

The second factor was the launch of the AIIB in early 2015. All SCO member states, including Russia, joined, which effectively bypassed Russia’s effort to prevent the SCO from becoming a China-dominated economic forum. The rush of major European countries (UK, Germany and France) to sign up with the AIIB may have convinced Russia to get on board at the last minute.

Third, the search for effective approaches by both sides to reconcile and integrate China’s Belt & Road and Russia’s EEU initiatives started to yield positive results. In the past few years, Chinese and European transportation companies have launched several China-Europe rail shipping routes largely through Central Asia, which is faster and safer than sea routes and far less expensive than air shipping. More recently, some Chinese shipping firms started to try Russia’s trans-Siberia rail with its cheaper rate than Central Asia routes.

Meanwhile, the emerging “Mongolian” factor – in the form of the “Russia-Mongolian-China economic corridor” first conceptualized by China – as a key economic linkage between China and Russia in the past two years seemed to offer new potential for all three sides. Since 2014, a mini-trilateral summit has been institutionalized on the sidelines of the SCO annual gathering. The “third party” factor, therefore, seems to be an effective way to reconcile and connect Russia and China. In Ufa, President Xi went so far as to call for a new “community of common destiny” for China, Russia and Mongolia. Such a project would dovetail with China’s Silk Road Economic Belt initiative, Russia’s transcontinental rail plan, and Mongolia’s “Prairie Road” program in the form of a trilateral economic corridor. In Ufa, the heads of state of the three countries signed several agreements including the “Medium-term Plan for Sino-Russian-Mongolian Trilateral Cooperation,” the “Framework for Constructing Sino-Russian-Mongolian Economic Corridor,” the “Framework for Facilitating Sino-Russian-Mongolian Trade,” and the “Framework for Sino-Russian-Mongolian Cooperation on Custom Service.”

The impact of the SCO’s embracing China’s Belt & Road initiative remains to be seen. One still wonders why the SCO’s Ufa Declaration does not mention the Russia-led EEU, despite top Russian officials publicly supporting China’s Belt & Road for the SCO nations. Russian Foreign Minister Sergei Lavrov, for example, described the SCO acts as the “ideal platform” for aligning China’s Silk Road initiative with the Moscow-led EEU strategy. Regardless, the SCO’s Ufa Summit made its most significant move to expand the scope of the security group since its

founding in 2001 as it officially initiated the procedures for granting India and Pakistan full membership. It also elevated Belarus to the status of observer from dialogue partner, and took in Azerbaijan, Armenia, Cambodia, and Nepal as new dialogue partners. Meanwhile, the SCO leaders approved the “SCO Development Strategy until 2025,” which set targets and tasks for the organization’s development in the upcoming 10 years. The strategy maps out goals for the SCO member states to conduct cooperation in the areas including politics, security, trade and economy, and people-to-people exchanges in the next decade.

Both Xi and Putin spoke highly of India’s and Pakistan’s accession to full SCO membership. However, this was only after almost 10 years of deliberation as Pakistan applied for a full membership in 2006 (India officially applied for SCO membership in 2014). Despite India’s late application, Russia was more interested in bringing in India, which may help check China’s growing clout within the SCO. Meanwhile, Pakistan is perhaps the only real ally of China in the world. Many in the SCO worried about the ongoing conflict between India and Pakistan, which may undermine SCO internal cohesion and even cripple the regional group. At a minimum, the expansion will complicate the SCO’s decision making.

Over time, supporters of expansion prevailed. SCO members gradually overcame their fears and realized that the potential advantages of having India and Pakistan inside the SCO would outweigh the disadvantage in at least five areas. Their inclusion would elevate SCO prestige and international profile, enable the SCO to reach out to South Asia, facilitate economic cooperation between SCO members and South Asia, help India and Pakistan reconcile their disputes, and help resolve the Afghan issue.

The prolonged deliberation for SCO expansion means considerable adjustment and coordination between current SCO members and the newcomers, which may be more challenging than the long deliberation. Even if Moscow publicly embraces China’s Belt & Road plan, each step and project of the SCO as an integrating platform may still mean hard bargaining between parties involved. The “growing pains” for the regional group have just started.

China’s Victory Day parade: back to the past for the future?

China’s military parade was the last in a series of commemorative activities for the 70th anniversary of the end of WWII. In Beijing, 12,000 officers and troops marched through the center of the city. More than 500 items of weaponry and 183 aircraft were on display at the parade: 84 percent of them were first shown since China’s last military parade in 2009. President Xi Jinping also took the opportunity to announce a 300,000-troop cut.

While leaders from major Western countries chose not to come to China’s Victory Day parade – the first one held in the 70 years since the end of the war – President Putin and South Korean President Park Geun-hye were the most prominent foreign dignitaries. Putin’s participation was long-expected as China and Russia had anticipated and prepared for this event for several years. Park made up her mind only days before the event, given the delicate position of South Korea between China, Japan, and the United States, or as the “shrimp (Korea) between whales (big countries)” according to a popular saying in Korea.

The presence of Park and Putin at the parade – a US ally (South Korea) and an outcast of the West (Russia) – may appear strange for the West. In modern history, however, all three nations were perhaps most affected by the rise of imperial Japan. What they experienced 70 years ago was the final arrest of nearly 100 years of Japanese military ascendancy. Exactly 120 years ago, Japan's war with China was the beginning of a series of aggressive wars, leading to Japan's colonization of Korea and Taiwan for the next half a century. Ten years after that, Japan turned to Russia, whose defeat in the 1904-05 war – which was actually fought in China's Liaodong Peninsula – discredited the Tsarist regime, opening Russia's political sphere to radical forces, and eventually the Bolsheviks. Japan's seizure of Manchuria in 1931 was the first war act in WWII, which occurred eight years before the outbreak of the war in Europe and 10 years before Japan's attack of Pearl Harbor. On the eve of its unconditional surrender in August 1945, Japan was simultaneously fighting the three continental powers of China, Soviet Russia, and the United States. In August of 1945, the US atomic bombs served as “final touches” in Japan's reluctant conversion from a militarist state to a “pacifist” one. In retrospect, the willingness and capacity of imperial Japan to fight others impressed China and Soviet Union so much that Japan, not the United States, was the sole country identified by the subsequent Sino-Soviet Treaty of Friendship and Alliance as its designated target. Fast forward to the 21st century and it is the shared history, not ideology that brought China, Russia, and Korea together in Beijing to commemorate the ending of the last phase of the bloodiest years in human history.

Chronology of China-Russia Relations **May – August 2015**

May 8-10, 2015: President Xi Jinping visits Moscow for the 70th anniversary of Russia's Victory Day military parade on May 9. He and President Vladimir Putin meet prior to the parade. Xi meets Prime Minister Dmitry Medvedev after the parade.

May 10, 2015: Russian Defense Minister Sergey Shoygu meets Fan Changlong, vice chairman of China's Central Military Commission, during Fang's visit to Moscow. Fan and his party visit the newly established National Defense Management Center of the Russian Armed Forces.

May 11-21, 2015: China and Russia hold *Joint Sea-2015 (I)* exercise in the Mediterranean Sea.

May 14-15, 2015: Shanghai Cooperation Organization (SCO) transport ministers hold their seventh meeting in Ufa, Russia. They approve a protocol on the formation of an integrated transportation system in the SCO and discuss the potential of the Trans-Siberian and Baikal-Amur railroads. Prime Minister Medvedev attends the meeting and gives a speech.

May 21, 2015: President Putin's special representative on the Middle East and African countries and Deputy Foreign Minister M.L. Bogdanov, and Chinese Deputy Foreign Minister Zhang Ming hold consultations on Middle Eastern and African issues in Moscow. According to Russian sources, the principled positions of Moscow and Beijing “matched or were close.”

May 25, 2015: Russia and China hold 11th round of China-Russia strategic security consultation in Moscow co-chaired by Russian Security Council Secretary Nikolai Patrushev and Chinese State Councilor Yang Jiechi.

May 27, 2015: SCO's Regional Antiterrorism Structure (RATS) signs a statement of intent in Kabul with the Afghan Foreign Ministry for cooperation against international terrorist organizations in the Middle East and Central Asia, collaboration between law enforcement authorities of Afghanistan and the SCO RATS, and the parameters and of their relations.

May 28, 2015: India, Russia, and China hold the second round of consultations on the Afghan issue in New Delhi. India's Deputy National Security Advisor Arvind Gupta, Assistant Chinese Foreign Minister Liu Jianchao, and Deputy Secretary of Russia's Security Council Yevgeny Lukyanov join the meeting.

May 30, 2015: Deputy Defense Minister of the Russian Federation Anatoliy Antonov meets Adm. Sun Jianguo, deputy chief of the PLA General Staff, on the sidelines of the Shangri-La Dialogue in Singapore.

June 3, 2015: SCO holds its annual Foreign Ministerial Meeting in Moscow to set agenda for upcoming session of the SCO Heads of State Council. President Putin meets SCO foreign ministers prior to the annual meeting. Russian Foreign Minister Sergei Lavrov and Chinese counterpart Wang Yi meet on the sideline of the ministerial meeting.

June 4, 2015: SCO foreign ministers and high representatives from SCO member states, observer states, and dialogue partners attend "High-Level Conference on Security and Stability in the SCO Region."

June 8, 2015: SCO Interior Ministerial Meeting is held in Moscow to coordinate activities in fighting transnational crimes. China's Public Security Minister Guo Shengkun, SCO Secretary General Dmitry Mezentsev, and the interior ministers of the other SCO member countries attend.

June 8, 2015: BRICS countries hold their first parliamentary forum in Moscow. A plenary meeting of the forum consists of two sessions co-chaired by State Duma Speaker Sergei Naryshkin and Federation Council Chairperson Valentina Matviyenko.

June 9, 2015: Zhang Dejiang, chairman of the Standing Committee of China's National People's Congress (NPC), travels to Moscow to participate in the first BRICS parliamentary forum and the first session of the cooperation committee of the two countries' legislative bodies.

June 17-20, 2015: Chinese Vice Premier Zhang Gaoli visits St. Petersburg to attend the 19th Saint Petersburg International Economic Forum (SPIEF). He and First Deputy Prime Minister Igor Shuvalov co-chair the second meeting of the China-Russia Investment Cooperation Committee. President Putin meets Zhang on the sidelines of the forum.

June 24, 2015: Russian Security Council Secretary Nikolai Patrushev meets Secretary of the Central Political and Legal Affairs Commission of the Chinese Communist Party Meng Jianzhu for consultations over cooperation in the field of information security and law and order.

June 23, 2015: A Russian military procuratorial delegation led by the first deputy chief military prosecutor of the Russian Federation arrives in Beijing for its official visit to China. Du Jincui, PLA's deputy director of the General Political Department (GPD), meets the Russian group.

June 25, 2015: A forum for Chinese and Russian media opens in St. Petersburg, aiming to promote bilateral and international communication.

June 29, 2015: Representatives of 57 countries sign in Beijing the agreement that outlines the framework and management structure for the China-led Asian Infrastructure Investment Bank (AIIB). The US and Japan decide not to join the AIIB.

June 30, 2015: SCO holds its annual Defense Ministerial Meeting in St. Petersburg. Chinese Defense Minister Chang Wanquan participates and meets Russian Defense Minister Sergey Shoygu on the sidelines.

July 6, 2015: Foreign Minister Lavrov meets Foreign Minister Wang Yi on the sidelines of talks on Iran's nuclear program.

July 8-10, 2015: The 15th SCO Summit and seventh BRICS Summit are held in Ufa, Russia. Two trilateral meetings are held on July 9 on the sidelines: an informal meeting of the SCO, BRICS and Eurasian Economic Union (EEU) and the second trilateral meeting between the heads of state of China, Russia and Mongolia. Putin and Xi also meet ahead of the summits.

July 8-11, 2015: Vice Premier Wang Yang participates in the sixth International Industrial Trade Fair held in Yekaterinburg, Russia. Wang is received by Prime Minister Medvedev.

Aug. 5, 2015: Foreign Minister Lavrov and Chinese counterpart Wang Yi meet in Kuala Lumpur on the sidelines of the ASEAN Regional Forum.

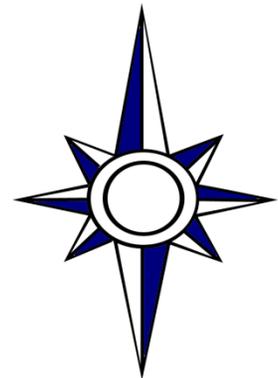
Aug. 7, 2015: State Councilor Yang Jiechi meets Mikhail Babich, plenipotentiary envoy of the Russian president, in Chengdu and co-chairs the fourth Local Leader Symposium of the Upper and Middle Reaches of the Yangtze River in China and the Federal District Along the Volga River Bank in Russia.

Aug. 13, 2015: President Putin sends condolences to Xi Jinping over the deadly explosions at an industrial complex in the city of Tianjin.

Aug. 20-28, 2015: Chinese and Russian navies carry out *Joint Sea-2015 (II)* exercise in the Peter the Great Gulf, waters off the Clerk Cape, and the Sea of Japan. The two navies practice, for the first time in history, an amphibious landing with a total of 400 marines.

Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Australia-East Asia/US Relations:

Alliance, Trade, Climate, and China*

Graeme Dobell

Australian Strategic Policy Institute

The Obama administration and the Abbott government stood together in the new military coalition in Iraq and joined in the trade push for a Trans-Pacific Partnership. Australia's Defence White Paper, about to be released, will be a strong and detailed statement of support for the alliance with the US. As often seems to happen these days, though, the discussion of the US-Australia relationship can soon turn into a debate about China. The notable political difference between Obama and Abbott in the 12 months under review was over climate change. The US president highlighted the policy difference in a speech during the G20 Summit that Abbott hosted in Brisbane. The other divergence between Australia and the US was over China's creation of the Asian Infrastructure Investment Bank. After initially sharing US fears about the AIIB, the Abbott government eventually decided to abandon the US and Japan and became a founding member of China's Bank.

The US alliance

Drawing on a 75-year history, Australia's alliance with the US involves both highly scripted moments and, inevitably, the odd off-script moment. The new Australian Defence White Paper will be just such a closely-scripted effort; the off-script moments can be rendered as mistakes or undue candor. Take the off-script moment during testimony before the US Senate Foreign Relations Committee, in May by US Defense Department Assistant Secretary for Asian and Pacific Security Affairs David Shear. He announced that in addition to the movement of US Marine and Army units around the Western Pacific, "we will be placing additional Air Force assets in Australia as well, including *B-1* bombers and surveillance aircraft."

Prime Minister Tony Abbott quickly pronounced that Shear "misspoke." A US embassy spokesperson stated "the United States has no plans to rotate *B-1* bombers or surveillance aircraft in Australia. Then the prime minister got back to the script. Abbott said the US strategic pivot to Asia had firm bipartisan support in Australia. "I see the greater presence of the US in our part of the world as a force for stability," he said. "Australia's alliance with the US is a force for stability. Our alliance is not aimed at anyone. It is an alliance for stability, for peace, for progress, for justice, and it is going to be a cornerstone of the stability of our region for many decades to come."

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The Australian public agrees. The annual Lowy Institute poll of Australian attitudes about international affairs found that the vast majority (80 percent) of Australians say the US alliance is either “very” or “fairly important” for Australia’s security, with a majority (53 percent) seeing it as “very important” — 17 points higher than in 2007, the lowest recorded point in the polling, when Australians were feeling a bit jaundiced about George W. Bush. Lowy found that in 2015 few Australians (37 percent) agree that the United States is “in decline relative to China, and so the alliance is of decreasing importance.” When asked about the US and its role as a world leader in the future, the majority (61 percent) say that the US will play “about as important a role as world leader in the future,” while 27 percent say it will play a less important role.

At its National Conference in July, the Australian Labor Party dialed back its language about the alliance, while still committing to it in strong terms. At the triennial conference, the policy platform from 2011 was reviewed. The 2011 platform – endorsed just after President Obama announced to Australia’s Parliament the deployment of US Marines to Darwin – was an expression of Prime Minister Julia Gillard’s commitment to both the Obama administration and the alliance.

The 2011 Labor platform had the usual language about the US as the closest security ally and a vital global partner, and then added to this the claim that the alliance “is one of one of Australia’s great national assets.” The 2015 policy dropped the great-national-asset line. It was a small shift in the expression of alliance sentiment. To judge the shift, here are the two policy statements:

Labor 2011:

The US remains our closest security ally and a vital global partner. Labor is firmly committed to maintaining and strengthening Australia’s close relationship with the US, a relationship founded on our people’s common democratic values and their commitment to fostering international peace and security. Labor believes in the centrality of the alliance to Australia’s national security requirements in critical areas such as intelligence on terrorism, defence equipment and broader strategic stabilisation in East Asia. Labor believes that the ANZUS Treaty, which is central to the alliance relationship, is one of Australia’s great national assets.

The replacement statement from Labor’s 2015 platform:

The United States remains our closest security ally, formalized through the ANZUS Treaty, and a vital global partner. Labor will maintain and strengthen Australia’s close relationship with the US, a relationship founded on our people’s common democratic values and our mutual commitment to international peace and security. The US alliance is essential to Australia’s national security requirements in critical areas such as intelligence on terrorism, defence equipment and broader stability in the region.

The deputy leader of the Opposition and Labor’s shadow Foreign Minister Tanya Plibersek told *the Finance Review* that the changes to the policy platform on ANZUS aimed to emphasize a relationship that was “strong, long and deep but not compliant.” A “candid audit” of the alliance by US and Australian analysts released in July 2015, thought the alliance “is currently thriving.” With that as the positive start, the study quickly shifted to a downbeat question: “Do the complexities of Asia’s ascent mean that the United States–Australia alliance is now entering its

twilight years?” The report, *The ANZUS Alliance in an Ascending Asia*, from the US Center for Strategic and International Studies and the Strategic and Defence Studies Centre at the Australian National University, identified three core missions for the alliance:

- Maintain a predominantly Asia-Pacific focus while also facing security challenges outside the region;
- Shaping a new multilateral architecture in this region, with the alliance serving as a central hub for Asian regional order and architecture;
- Maintaining maritime security, with the alliance taking a lead in the management of shared maritime challenges.

The report said US and Australian interests in the three core areas were converging. Yet this convergence was being “overshadowed by the larger question of whether US-China and Australia-China relations are diverging in an ascending Asia.” The study noted how leading Australian political figures now ponder whether the divergence of security and economic interests in Asia will dilute the US-led alliance system: “These public debates by the United States’ closest ally in the Pacific have some senior US officials quietly questioning whether Japan may in the future replace Australia as the most trustworthy ally should US and regional tensions continue mounting with Beijing.” Australian officials, in turn, “worry that Washington has grown distracted by crises in Iraq, Iran and the Ukraine, allowing the much heralded ‘pivot to Asia’ to drift.”

One public divergence between the US and Australia over the past 12 months was over climate change. Hosting the G20 Summit in Brisbane, in November, Abbott lost control of the agenda as his guests forced climate change into the frame in ways that caused political problems for the prime minister. Abbott had said the G20 focus should be economic – growth and jobs. Ahead of Brisbane, at the APEC Leaders Meeting in Beijing, Obama and China’s Xi Jinping, as leaders of the world’s biggest emitters, announced they’d agreed on new targets to lower their greenhouse gas emissions. After arriving in Brisbane, Obama spoke at the University of Queensland calling on Australia to get serious about climate change, and voiced worries about the dangers that warming would pose to the “incredible natural glory of the Great Barrier Reef.” The media – domestic and international – did not interpret this as friendly advice from Obama to Abbott. The *Economist* magazine judged that the Obama-Xi deal caught Abbott by surprise, saying the Australian prime minister “had wanted to limit the G20’s climate commitments to a line about energy efficiency. But climate change dominated the Brisbane Summit in the wake of Obama’s proclamation that “here in the Asia Pacific, nobody has more at stake.” Few can recall such a sharp public rebuke from Australia’s main strategic ally.”

In the G20 discussion on energy, Abbott told the summit that as Australia is “the world’s largest producer of coal, I’d like to stand up for coal.” Standing up for coal is going to be an even harder task at the UN Climate Change Conference starting in Paris in November. The Abbott government faces tough choices over the binding commitments Australia will make to reduce emissions – and how its pledges will compare to traditional partners like the US and Canada.

In August, the prime minister announced that Australia's offer in Paris will be to cut carbon emissions by 26-28 percent by 2030. Abbott described this as a responsible move that does not sacrifice the economy for the environment.

The latest Lowy Institute poll of Australian attitudes toward global issues shows a majority now willing to bear "significant costs" to tackle climate change for the first time since 2009, when international negotiations collapsed at Copenhagen. Almost two-thirds of Australians also want the government to "commit to significant reductions" in Paris. The fresh concern about global warming contrasts with 2012, during Tony Abbott's crusade against the Labor government's carbon tax, when climate change was seen as a pressing issue by just 36 percent of people.

Iraq and terrorism

The beheadings, the crucifixions, mass executions, ethnic cleansing and sexual slavery that we have seen in northern Iraq and Syria, are only the beginning if the ISIL movement has its way. This apocalyptic death cult has declared war on the world and it must be resisted at home and abroad.

Tony Abbott, October, 2014

The prime minister's standard usage for ISIL is "death cult." Whatever the strategic challenge, the national security issue has been politically important for Abbott, both with his party and the voters. The political dimension of security is important for a leader who in February faced a Liberal Party challenge to his leadership. Abbott defeated the caucus "spill" motion 61 votes to 39. He described the vote as a "near death" moment for his political career. In a vote without a declared challenger – the choice was between the prime minister and an empty chair – the latter got more than one-third of the votes cast by Liberal MPs and senators. National security has been central in the prime minister's subsequent effort to rebuild his standing. Abbott's performance as an economic manager may be questioned but his commitment to defense and security is seen as a core strength. Certainly the "death cult" language has reached the voters.

The Lowy poll found that fewer than one in four (24 percent) Australian adults say they feel very safe. This is the lowest recorded result in more than a decade. Of eight potential risks to Australia's security in the next 10 years, the highest ranked threat is "the emergence of Islamic State in Iraq and Syria" (69 percent ranking it high risk), while the risk of "military conflict between the United States and China in Asia" is ranked lowest (20 percent seeing it as high risk).

The ranking of the issue was a striking response to an Australian military re-commitment to Iraq which has only just begun. In September 2014, the prime minister announced that Australia would join international partners to help the anti-ISIL forces in Iraq. The Australian Defence Force would deploy to the United Arab Emirates up to eight Royal Australian Air Force *F/A18* combat aircraft; an *E-7A Wedgetail* Airborne Early Warning and Control aircraft; and a *KC-30A* Multi-Role Tanker and Transport aircraft. Military advisers would be deployed to assist Iraqi security forces. By the middle of 2015, Australia had about 900 military personnel deployed to the Middle East in support of the operation: 400 personnel to an Air Task Group; 200 to the Special Operations Task Group; and 300 to a Task Group (alongside 100 New Zealand troops) to

train Iraqi troops. In August, the prime minister announced that Australia was considering a request from the US to extend the role of the RAAF beyond Iraq to conduct airstrikes in Syria.

In polling in April 2015, the Lowy Institute found that a majority of those surveyed (55 percent) said that “Australia’s participation in military action against Islamic State in Iraq increased the risk of terrorism to Australia now,” while 47 percent said it increased the risk of terrorism to Australia “in the future.” Despite this, a solid majority (69 percent) were in favor of Australia “conducting air strikes against Islamic State in Iraq and providing training and support to Iraqi security forces.”

Foreign Minister Julie Bishop said in April that terrorism is “the most significant threat to the global rules based order to emerge in the past 70 years – and included in my considerations is the rise of communism and the Cold War.” That perspective has been questioned by previous Liberal leader Malcolm Turnbull, who was deposed by Abbott in 2009. Now the Communications Minister, Turnbull said that the threat posed by Islamic State should not be overstated because this lends credibility to the “delusions” of the jihadists. Turnbull said Australia had faced greater threats and Daesh was “not Hitler’s Germany, Tojo’s Japan or Stalin’s Russia.” Responding to Turnbull, Julie Bishop stood by her statement that Islamic extremism posed a greater threat than communism: “My assessment is based on the classified briefings I receive as a member of the National Security Committee, and from my confidential discussions with counterpart foreign ministers and national leaders around the world. We are in the early stages of a struggle against an extremist ideology that many nations regard as an existential threat. The inherent constraint of the principle of ‘mutually assured destruction’ that applied during the Cold War has no bearing on the actions of extremists like Daesh.”

The internal politics of the Liberal Party cause such exchanges to be viewed not merely as a discussion of the terrorism threat; they are weighed as part of the ongoing leadership contest between Abbott, Bishop, and Turnbull. In February, the prime minister released a counterterrorism review that found Australia faced a new, long-term era of heightened terrorism threat, with a much more significant “home grown” element. At the same time, Abbott issued a statement on national security laying out responses to “the new dark age that has settled over much of Syria and Iraq” and the threat Australia faced:

- In September, the National Terrorist Threat level was lifted to high – meaning a terrorist attack is likely – after a decade in which the threat was set at medium. Since then, Abbott said, two police officers had suffered a “frenzied attack” in Melbourne in September, 2014, and Australia confronted ‘the horror of the Martin Place siege’ in Sydney in December, when a gunman and two hostages were killed.
- Twenty people have been arrested and charged as a result of six counterterrorism operations conducted around Australia – one third of all the terrorism-related arrests in Australia since 2001 – within six months.
- At least 110 Australians have traveled overseas “to join the death cult in Iraq and Syria” and at least 20 of them had been killed. The number of Australians with hands-on

terrorist experience is now several times larger than those who trained earlier in Afghanistan and Pakistan.

- The Australian Security Intelligence Organisation had more than 400 high-priority counterterrorism investigations, double the number a year ago.
- A Foreign Fighters Task Force has been established in the Australian Crime Commission and the attorney general had announced a series of measures designed to combat terrorist propaganda online.
- A National Counter Terrorism Coordinator has been appointed.
- The government will look at new measures to strengthen immigration laws, as well as new options for dealing with Australian citizens who are involved in terrorism.

At a regional summit to counter violent extremism held in Sydney in June, Abbott welcomed representatives from 30 nations, calling the meeting a regional version of the White House summit on countering violent extremism held in February.

China's Asian Infrastructure Investment Bank

Australia parted ways with the US and Japan on China's creation of the Asian Infrastructure Investment Bank (AIIB). At first, in 2014, Australia stood with the US and Japan in refusing to join the proposed bank, but the Abbott government equivocated, reflecting divisions in the Cabinet over the merits of China's proposal and the US critique. One of Australia's geo-economic gurus, the economist Peter Drysdale, described the AIIB as a "strategic choice point" where Canberra shouldn't be following Washington's "negative" and "churlish" lead. On the geopolitics, former Labor Prime Minister Paul Keating was scathing about the Abbott government's initial rejection of the AIIB: "The government's decision to decline founding membership of the Chinese-proposed Asian infrastructure bank is the worst policy decision the government has taken since assuming office." Given the political and budget problems that afflicted the Abbott government in its first year in office, Keating's selection of "the worst policy decision" was a strong reading of the AIIB stakes.

By March 2015, the Abbott government had decided to abandon the stance taken by the US and Japan. He announced Australia would sign up to join the AIIB. Good progress has been made on the bank's design, governance, and transparency, Abbott told reporters: "We're certainly well and truly disposed to joining something which is in fact a genuinely multilateral institution with transparent governance, with clear accountability and with major decisions made by the board. That is really the fundamental thing for us, would major decisions be made by the board and is it going to be a multilateral institution rather than one that is controlled by any one country. Now, I have had a number of conversations with President Obama, I have had a number of conversations with Prime Minister Abe and those conversations are continuing." In June, Australia's Treasury Secretary Joe Hockey announced Australia would become a founding member of the AIIB. Australia committed to contributing A\$930 million into the bank over five years, making it the sixth largest shareholder.

As the treasurer was in Beijing to sign up to the AIIB, former Treasury Secretary Martin Parkinson attacked US concerns about the transparency and economic management of the new bank as “absolute garbage.” He told a Canberra conference that Australia had multiple conversations with China about changing and improving the design of the AIIB: “My colleagues went to China on my behalf and we actually made very, very significant changes in the way the Chinese first conceived of it. We could have made even more changes if we’d had US and Japanese support, but we didn’t.” Parkinson said the level of transparency attained was good enough for Australia, South Korea, Canada, and Britain – all allies of the US – to join the bank. The former treasury secretary said the IMF had operated as an extension of the US Treasury and the Asian Development Bank was a Japanese tool: “We’ve got an emerging China wanting to reshape the rules of the world’s capital markets and it’s going to happen whether we like it or not. If we are not actually in there helping shape it, it’s going to be a much harder task.”

The Trans-Pacific Partnership and 10 years of the US free trade agreement

The centerpiece of the Obama’s administration’s economic approach to Asia, the Trans-Pacific Partnership (TPP), is embraced by Australia as “one possible pathway toward realising the vision of a free trade area of the Asia-Pacific.” As one of the 12 countries negotiating the TPP, Australia describes these key interests and benefits:

- The TPP has the potential to forge stronger economic links between economies in the Asia-Pacific region based on common rules for trading. It is in Australia’s interests to be involved to shape the direction of the initiative.
- The TPP will provide new opportunities for Australian goods to be used in manufacturing and production processes in the region.
- Australia does not have trade agreements with a number of TPP parties. The TPP could provide Australian exporters of goods and services with increased access to these new markets.
- The TPP provides an opportunity to benefit Australia’s significant services sector, through enhanced access for service suppliers involved in education, legal, financial, mining, and agricultural services.
- The TPP will provide substantive outcomes on electronic commerce which will benefit consumers and businesses.

When the US Congress in June gave the Obama administration “fast track” authority to conclude the TPP, Australia’s Trade Minister Andrew Robb said the agreement could be achieved with one more round of ministerial negotiations. But that round in Hawaii could not clinch the deal. Robb said provisional agreement has been reached on 90 percent of the TPP issues: “The provisional decisions already taken would make this the biggest regional agreement in the world and the most significant agreement since the conclusion of the Uruguay round more than 20 years ago. From Australia’s perspective we have made significant gains across every area,

including agricultural market access.” The trade minister said issues to be resolved include “automotives, data protection around biologics, dairy and also sugar.” Robb said the US and Japan were “very, very keen” to secure the TPP, as is Australia. But the differences remaining and the US election calendar meant the agreement could still be out of reach: “You can get very close and not make it.”

As Australia reached for the TPP, it also marked the 10th anniversary of the Australia-United States Free Trade Agreement (AUSFTA). Robb said the agreement had proven its value to Australian business. Two-way trade in goods and services between Australia and the US has increased from \$41 billion in 2004, the year prior to AUSFTA’s entry into force, to more than \$60 billion in 2014. “In that time, the proportion of imports from Australia entering the United States tariff-free has increased dramatically,” Robb said. “In 2004, only 46 percent of imports from Australia entered the United States tariff-free. By 2014, 90 percent of imports from Australia entered the United States tariff-free. A further 6 percent of Australian imports entered under preferential AUSFTA tariff rates.” In January 2015, duties on a further 10.7 percent of US tariff lines were removed, and more reductions will ensue. By 2023, 98.4 percent of US tariff lines will be duty-free. Two-way investment has more than doubled, from \$642 billion in 2004 to more \$1.3 trillion in 2014. Robb said the United States is the largest investor in Australia and the number one destination for Australian investment abroad.

China: fear and greed

Many people applaud China’s achievements and have great confidence in China, while some others have concerns about China – and there are also people who find fault with everything China does. I think these diverse views are to be expected. After all, China is a large country of over 1.3 billion people. It is like the big guy in the crowd. Others naturally wonder how the big guy will move and act, and they may be concerned that the big guy may push them around, stand in their way or even take up their place.

President Xi Jinping, Address to the Australian Parliament, November 2014

China’s president spoke to the Australian Parliament following the G20 Summit in Brisbane. It was Xi’s fifth visit to Australia, as he told Australia’s MPs and senators: “Since my first visit in 1988, I have visited all six states and two territories of Australia except Tasmania. These visits have left a great impression on me, and I still cherish vivid memories of the strange-looking kangaroo, the cute koala bear, flocks of white sheep, the ingenious Sydney Opera House, and the boundless expanses of the outback. Everywhere I have been, I have personally experienced the goodwill of the Australian people towards the Chinese people.” Only days before Xi spoke to Parliament, Tony Abbott delivered a private three-word headline for Australia’s approach to China, saying it was defined by “fear and greed.” The prime minister started out as a journalist, press secretary, and speech writer. His skill with a pithy phrase is a political strength that can produce the odd headache.

The “fear and greed” comment rates as a classic gaffe – a too-blunt-statement of the truth. The judgement was made in a private conversation with the German leader Angela Merkel in November 2014, just after the G20. When the two leaders sat down together in the prime minister’s Sydney residence, Merkel’s opening question was about what drives Australia’s China

policy. In April, *Fairfax* media revealed the “fear and greed” response, quoting both Australian and German sources. The line was just too vivid to stay secret. *Fairfax* media’s John Garnaut compared “fear and greed” to the 2009 comment by Prime Minister Kevin Rudd that he was a “brutal realist” on China. Rudd used that line to US Secretary of State Hillary Clinton and it was revealed when the US record of conversation was published by WikiLeaks.

At the moment, Australians are driven more by the greed than worried by the fear. The Lowy Poll of Australian attitudes found a solid majority (77 percent) of Australians see China as “more of an economic partner to Australia” than a “military threat,” while only 15 percent see it as “more of a military threat.” But 39 percent of the population thinks it “likely” that China will become a military threat to Australia in the next 20 years. In the event of a “military conflict between China and Japan,” 84 percent say Australia should remain neutral, 11 percent say Australia should support Japan, and 3 percent say Australia should support China.

Whether called greed or economic self-interest, the Australian view of the trade relationship with China was given a major public boost by the achievement of a bilateral free trade agreement, clinched in 2014 and formally signed in 2015. The trade pact took 10 years to negotiate. This was an effort presided over by four Australian prime ministers – two Liberal and two Labor. Australian service industries, in particular, were surprised at how generous the terms finally granted by China. Beijing offered unlimited access for Australia to build private hospitals, aged care homes, hotels and restaurants, with 100 percent Australian ownership. Plus, it offered concessions on entry for Australian legal services, financial services, education, telecommunications, tourism and travel, construction and engineering, manufacturing services, architecture and urban planning, and transport. Trade Minister Andrew Robb made nine trips to China in a year to seal the deal. Because three-quarters of Australia’s economic output is services, not goods, Robb’s focus at the end was on how China’s market is tightly shut against foreign services. The trade minister said the breakthrough was to get Beijing to see Australia as the equivalent of one of its Special Economic Zones, where usual regulations are suspended to facilitate foreign trade. Robb told China’s commerce minister “You ought to think of Australia as a special economic zone for services. We’ve got a population of 23 million – that’s smaller than some of China’s special economic zones. Then, if the Americans or the Europeans want to claim the deal with Australia is a precedent that they should be allowed to follow, you just say we treated the Australians as a special economic zone.”

The debate about fear and greed was central to a speech in May by Secretary of the Defence Department Dennis Richardson, who has previously served as secretary of the Foreign Affairs Department and ambassador to the United States. Talking about the big developments shaping Australia’s new Defence White Paper, Richardson pointed to changing power relationships reshaping the region and the central relationship between China and the US: “Expressed in its most simple and basic terms, our relationship with China and the United States can be summarised in one simple phrase: friends with both, allies with one.” Richardson said that America’s superpower stature is not at risk over the short to medium term. The US is committed to maintaining its global primacy, Richardson said, but as it juggles many pressing priorities, the US “looks for much more help from allies such as Australia.” He said that in East Asia, and globally, the US-China relationship is the most crucial, “even as both sides struggle to keep it on an even keel.”

The defence secretary said Australia's relationship and interests with China are different. Australia was still "developing the appropriate balance of trust and confidence" with China. Richardson stressed Australia's concerns about China's "unprecedented" land reclamation activities in the South China Sea: "The speed and scale of China's land reclamation on disputed reefs and other features does raise the question of intent and purpose; it is legitimate to ask the purpose of the land reclamation – tourism appears unlikely. China now has more law enforcement and Coast Guard vessels in the South China Sea than the other regional countries put together. And given the size and modernization of China's military, the use by China of land reclamation for military purposes would be of particular concern. It is not constructive to give the appearance of seeking to change facts on the ground without any clarification of actual claims. It is legitimate to raise such questions and express such concerns because tensions and potential miscalculations are not in anyone's interest."

Trilateral partnership: the US, Japan, and Australia

On the sidelines of the G20 in Brisbane on Nov. 15, 2014, Australia, Japan, and the US had their first trilateral leaders' meeting since Sydney's 2007 APEC meeting. The joint statement from the president and two prime ministers committed to "deepening the trilateral partnership" to ensure a "peaceful, stable, and prosperous future for the Asia-Pacific region," building on a partnership founded on "shared interests and values, including a commitment to democracy and open economies, the rule of law, and the peaceful resolution of disputes." Reflecting the language the Abe government has injected into Japan's alliance with the US, the communiqué said "the three leaders reaffirmed the global reach of their cooperation." For Tony Abbott, the trilateral was a chance to talk simultaneously to the big 'A' Ally, the US, and the small 'a' ally, Japan. (See last year's [Comparative Connections on Australia](#) for more on Abbott's language dubbing Japan an Australian "ally.")

The opposition Labor Party has stepped back from Abbott's enthusiasm for Japan as the closest relationship in Asia. Labor's previous policy platform, set by the Gillard government in 2011, stated "Labor will further strengthen engagement with Japan, Australia's closest partner in Asia." Labor's new platform agreed in July, 2015, gives Japan no "closest partner" language, instead placing Japan in an all-purpose regional paragraph, "Labor seeks to strengthen economic, social, cultural and educational ties with countries including Japan, Korea, India and Indonesia based on mutual respect and a sense of genuine partnership in our own Indo-Pacific region. Labor supports enhanced cooperation through rules-based institutions and opportunities for regional engagement including the PIF, ASEAN, the EAS and APEC." No Labor enthusiasm there for increased trilateralism or closer military ties with Japan.

Abbott commitment to building the military relationship with Japan has been highlighted by his support for basing Australia's next-generation submarine on a Japanese design. In February, Australia launched the formal competition for the \$50 billion project to build the submarine; Japan, Germany, and France are shortlisted to bid for the contract. Sweden, which designed and helped build the existing *Collins*-class submarines, was dropped from the competition. Options to be considered are for design and build overseas, in Australia, and/or a hybrid approach. Japan is seen by many Canberra commentators as the bidder to beat in Australia's most expensive ever

defense project, even though Canberra and Tokyo have no history of major defense construction partnerships.

To understand how far Abbott has pushed the submarine decision toward Japan, consider what Australia's submarine choice would look like today if the Coalition had not triumphed in Australia's 2013 election. If the resurrected Labor leader Kevin Rudd had won, a Labor government would be steering the submarine course set out in Labor's 2009 and 2013 Defence White Papers. Japan wouldn't have surfaced. There would be no "Option J" and no Japanese submarine even in the field; much less the PM's unofficial favorite. Tony Abbott has shifted the game by embracing Abe Shinzo and making a Japanese sub a centerpiece of that relationship. If Australia adopts the Japanese *Soryu*-class design, it would be married to a US weapons system.

The foreign minister in the Gillard Labor government, Bob Carr, commented in March that selecting the Japanese submarine could look like a strategic statement made at the insistence of the US: "The US may want to edge Australia into a trilateral arrangement to support Japan in any showdown with China. Of course, this may not be a considered US strategy, or a particularly high priority. It should nonetheless be a goal of Australian diplomacy to let down gently both Japanese and Americans if this is, in fact, a serious expectation."

The critique from the Opposition Labor Party is that the Abbott government has lined up with the US and Japan against China. Even more pointedly, Labor's analysis is that the Abbott government has chosen Japan over China. The deputy leader of the Labor Party and shadow Foreign Minister Tanya Plibersek says the government's management of the big power relationships has been defective. She calls the initial hesitation over joining China's AIIB "one of the most perplexing things we've seen from this government." In an interview with *The Australian* newspaper in May, Plibersek saw no "long-term or strategic thinking" in the Abbott government's dealings with the US, China and Japan. "The real issue," Plibersek said, "is a prioritising of the relationship with Japan and the United States over the relationship with China. Most particularly, our partnership with the United States is one of the most important partnerships we have, and I wouldn't undermine that for a second. But in instances where they didn't have to, they [the Abbott government] have seemed to make a choice in favour of Japan over China. And I think our interests are best served by having good and strong relationships with both countries. And I don't think that has been the policy of the government to date."

Julia Gillard on Obama, defense, and the alliance

The two of us clicked on several levels. Both President Obama and I were unlikely leaders of our nations...I have pointed to my own apparent disqualifications from office – a childless atheist woman living in a defacto relationship – and joked I would never had made it in America.

Julia Gillard, *My Story*, 2014

Australia's 27th Prime Minister Julia Gillard – leader from 2010 to 2013 – released her autobiography toward the end of 2014. There were warm stories about Obama and a sustained assault on the character and record of Kevin Rudd, the leader Gillard deposed in 2010 and who, in turn, deposed Gillard just before the 2013 election that Labor lost. Gillard offers insights into

the two Defence White Papers produced by Labor – the Rudd Government Paper in 2009 and the Gillard Paper in 2013. She writes that she inherited “unrealistic” defense settings from Rudd and hints faintly that she bequeathed the same to the Abbott government.

Gillard’s book is useful on defense policy, if not as vivid in its verbal voltage as it is about Rudd’s “destabilization,” “leaking,” and “treachery.” In such a spirit, turn to Julia’s demolition of the 2009 Defence White Paper. She makes familiar criticisms. But this is the deputy prime minister who was present at the creation (of the mess). On the Rudd white paper, Gillard writes: “The overblown nature of the prose had drawn an adverse reaction from the Chinese and the budget rule laid out in the White Paper for defence expenditure was unrealistic and almost immediately breached.” Gillard writes herself into a key moment of that overblown and unrealistic effort. The deputy PM filled in for Rudd as chair of the National Security Committee for a “pivotal” meeting on reallocation of funds within Defence and new White Paper spending priorities: “When the meeting had to break into a series of side conversations in the corners of the Cabinet room, it was obvious that the process was unravelling and the final product would suffer as a result.”

Gillard disposes of her 2013 Defence White Paper in two paragraphs. She thinks it “set more modest and realistic ambitions” and the document was “methodical and careful.” The muted pass mark rests on an admission: “Our government did not find the complete solutions.” Savor that negative as an indication of the reason the Abbott government needed its own Defence White Paper, the third in six years, when in previous eras Australia got by with an average of one Defence White Paper per decade. On defense equipment, Gillard gets all the headaches into one true, terse sentence: “Defence has historically faced massive cost, time and capability problems when undertaking major procurements.”

Gillard’s big step on the alliance was the announcement during President Obama’s 2011 Canberra visit that US Marines would train in northern Australia. Considering the policy in the Cabinet, the big worries were “another nation’s soldiers training on our soil” and “the concerns of the foreign policy establishment about the regional reaction.” Offering a fine rendering of the mix of personality, power, politics, and policy in any such choice, Gillard describes how she rejected a cautious, small-steps approach to the Marines to go all-the-way-with-Obama:

“I came to this view not because it was going to be easy, indeed managing regional reaction, particularly China’s, had a high degree of difficulty. Rather I thought it was the right decision strategically for the future. It would meet an American need. It would facilitate joint training and exercises at a time beyond both our deployments to Afghanistan. It would show our preparedness to modernise the alliance between our nations. It would also send a self-confident message to our region that Australia was not succumbing to a dogma of false choices between valuing our alliance and our relationships in the region in which we live. I was also absolutely confident that the days of progressive Left protests against an American presence on Australian soil were behind us, and contemporary politics, including an America led by a Democrat, meant this initiative would be well received.”

Kevin Rudd on Australia, the US and China

The history war between Gillard and Rudd is set to run for a long time. Yet one thing these two Labor leaders could agree on is the equal interests Australia must pursue with the US and China.

Rudd offered his recipe in the report he wrote at Harvard, *US-China 21 – the Future of US-China relations under Xi Jinping*. In presenting the report, Rudd as a “wandering antipodean” had some “lost in translation” moments caused by the “unique Australian variant of the English language” and the different perspectives that the “Down Under” nation has on the region:

This raises the question of whether there is, in fact, a distinctive Australian view of Asia in general, and China in particular, that would not otherwise normally be found elsewhere in the international academy. That, of course, is largely for others to answer. Once again, I would argue that proximity matters. For us, the region has never been an abstraction, but always a living, breathing strategic, economic and cultural reality with which we have had no alternative other than to engage. Australians also, wherever practicable and possible, seek to act as a bridge if there are problems to be solved. At our best, because of where we find ourselves in the world, rather than because of any particular national virtue, we can be the West in the East, and the East in the West.

The idea of Australia acting as the West in the East and the East in the West asks some big questions of Australia’s abilities and capabilities. And some interesting prospects for Australia’s alliance with the US.

Chronology of Australia-East Asia/US Relations September 2014 – August 2015

Sept. 12, 2014: Alert level for possible terrorist attack in Australia raised from medium to high.

Sept. 14, 2014: Australia announces it will deploy 600 military personnel for combat in Iraq.

Sept. 17, 2014: Fiji holds its first election since the military coup eight years ago. The Fiji First Party of Frank Bainimarama wins the vote and he becomes elected prime minister.

Sept. 20, 2014: In the New Zealand election, the National Party government of John Key is returned for a third term.

Sept. 21, 2014: RAAF aircraft leave Australia to fly to Dubai to take part in the US-led campaign against Islamic State militants.

Sept. 22, 2014: In a national security statement, PM Abbott tells Parliament that “darkening times” mean Australia will have to recast the balance between freedom and security. The government introduces new antiterrorism laws, including a clause affirming that security agencies are prohibited from the use of torture.

Sept. 26, 2014: In Phnom Penh, Australia’s Immigration Minister Scott Morrison signs an agreement for Australia to send asylum seekers for resettlement in Cambodia.

Oct. 20, 2014: PM Abbott attends inauguration of President Joko Widodo in Jakarta.

Oct. 22, 2014: Pacific Islands Forum announces that following its election, Fiji's suspension from the Forum has been lifted.

Oct. 31, 2014: Australia's Foreign Minister Julie Bishop visits Fiji for talks with newly elected Bainimarama government. She lifts remaining sanctions on Fiji's regime and proclaims a "new era" in relations.

Nov. 15-16, 2014: G20 Summit is held in Brisbane. A sidelines trilateral is held between the US, Australia, and Japan.

Nov. 17, 2014: China's President Xi Jinping addresses the Australian Parliament.

Nov. 18, 2014: India's Prime Minister Narendra Modi addresses the Australian Parliament.

Dec. 16, 2014: A hostage siege in a coffee shop in central Sydney ends with three people dead. One of those killed is the gunman, Man Haron Monis, who had a record of prosecutions and criminal convictions. Monis was known for his radical Islamist views and for sending hate mail to the families of soldiers killed in Afghanistan.

Dec. 21 2014: PM Abbott reshuffles his Cabinet, dropping the Defence Minister David Johnston and appointing Kevin Andrews as Defence Minister.

Jan. 4, 2015; PM Abbott visits Baghdad to express support for Iraq's government in the fight against Islamic State.

Feb. 9, 2015: PM Abbott beats a motion in the Liberal Party Parliamentary Caucus to depose him as leader. Liberal MPs and Senators vote 61-39 to reject the spill motion.

Feb. 13, 2015: First meeting of Australia-Japan Cyber Policy Dialogue is held in Canberra to discuss the development of international cyber norms and the application of international law to state behavior in cyberspace.

Feb. 18, 2015: US Court of Military Commission Review strikes down the terrorism conviction of an Australian, David Hicks, who served with Al Qaeda in Afghanistan, and who was held by the US at Guantanamo Bay from January, 2002, until May, 2007.

Feb. 20, 2015: In the formal competition for the \$50 billion project to build the next generation Australian submarine, Japan, Germany, and France are shortlisted to bid for the contract.

Feb. 23, 2015: PM Abbott's national security statement announces the creation of a new counter terrorism coordinator.

March 3, 2015: PM Abbott announces Australia will send an additional 300 troops to Iraq to train Iraqi soldiers. New Zealand is to send 140 troops on the same mission.

March 17, 2015: Vietnam's Prime Minister Nguyen Tan Dung arrives to visit Australia and sign an Enhanced Comprehensive Partnership.

March 21, 2015: Welcome home parades held for the 34,500 Australians who served in Afghanistan, with marches in Canberra, the six state capitals, plus Darwin and Townsville.

March 29, 2015: PM Abbott announces that Australia will become a founding member of China's new development institution, the Asian Infrastructure Investment Bank.

April 12, 2014: US Marines from California arrive in Darwin to begin the fourth Marine rotation to Northern Australia.

April 18, 2015: FM Bishop becomes the first Australian foreign minister to visit Iran in 12 years, announcing an agreement for intelligence sharing between Australia and Iran.

April 25, 2015: 100th anniversary of Gallipoli landing in Turkey during WWI commemorated at ANZAC Cove, attended by Australian and New Zealand prime ministers.

April 29, 2015: Indonesian firing squad executes two convicted Australian drug smugglers. PM Abbott calls punishment "cruel and unnecessary." Australia recalls its ambassador from Jakarta.

May 25, 2015: Diplomat Greg Moriarty, previously Australia's ambassador to Indonesia, is appointed Australia's first counterterrorism coordinator.

June 17, 2015: Australia and China sign a free trade agreement with PM Abbott hailing it as "history making" for both countries.

June 29, 2015: Australia and Singapore announce a comprehensive strategic partnership to increase defense and economic cooperation, as PM Abbott visits Singapore to meet Prime Minister Lee Hsien Loong.

July 1, 2015: Australia's new Border Force - merging the frontline functions of Customs and Immigration - begins operation, with responsibility for immigration security at Australia's air and sea ports and Australian waters.

July 5, 2015: Australia's largest combined defense exercise with the US starts – this time with Japan participating. The biennial training activity, *Talisman Sabre*, involves up to 30,000 US and Australian defense staff. The exercise is held near Rockhampton, in Queensland, and at Fog Bay, southwest of Darwin.

July 24, 2015: Australian Labor Party's 47th national conference to decide the policy platform.

Aug. 11, 2015: PM Abbott announces Australia will commit to reduce greenhouse gas emissions to 26-28 percent below 2005 levels by 2030.

About The Contributors

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